

Department of the Treasury

The Budget *in* Brief

FY 2005

February 2004

*Assistant Secretary for Management
and Chief Financial Officer*
Office of Performance Budgeting



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SUMMARY

DEPARTMENT OF THE TREASURY
Fiscal Year 2005 Budget Request

SUMMARY OF TREASURY'S BUDGET REQUEST

FY 2004: *Treasury Program Level (Consolidated Appropriations, H.R. 2673)* **\$11.246 billion**

Proposed Rescission **- .066 billion**

Net Adjusted Program Level in FY 2004 **\$11.180 billion**

FY 2005: *Total Treasury Program Level Request* **\$11.680 billion**

* * * * *

The President's Budget FY 2005 Request for the Department of the Treasury reflects an increase of 4.5% over the current FY 2004 appropriated level for Treasury as reflected in the FY 2004 Consolidated Appropriations bill (H.R. 2673). This increase reflects the President's commitment to strengthen the economy, fight the financial war on terrorism and ensure compliance with the tax laws.

HIGHLIGHTS OF TREASURY'S REQUEST

The President's proposed FY 2005 Budget supports Treasury's key role as the Federal Government's ***economic policymaker, financial manager, and revenue collector***. After completing the divestiture of 30,000 employees pursuant to the Homeland Security Act of 2002 (P.L. 107-296), the Department is refocusing its resources on its core economic missions of promoting conditions for prosperity in the United States, fighting the financial war on terrorism, and providing taxpayers with world class service while ensuring compliance with the tax laws.

This Budget request places increased importance on achieving balance in the administration of the tax laws by maintaining taxpayer service and enhancing initiatives to curb abusive tax practices and halt the proliferation of shelters, scams, and schemes. The FY 2005 Budget proposal solidifies the Department's ability to fight the financial war on terror by increasing resources and improving use and analysis of financial intelligence. To deliver on these and other commitments, Treasury remains committed to the President's Management Agenda and the Department's performance budgeting processes to align funding with performance and results.

FY 2005 KEY PRIORITIES

Treasury's FY 2005 budget request continues the Department's recent accomplishments and highlights Treasury's commitment to:

- Make tax relief permanent to promote jobs and growth;
- Improve tax compliance by increasing audits, ensure that the tax system is fair for all, and maintain world class service;
- Modernize the nation's tax system through investments in technology;
- Fight the financial war on terror by using intelligence and other data to identify financiers of terror and freeze terrorist assets; and
- Maintain and safeguard the government's finances and our nation's financial systems and currency.

Treasury remains committed to the President's Management Agenda as a foundation for accomplishing these key priorities.

Making the Tax Cuts Permanent to Continue to Support a Growing Economy

Supports the following Treasury Strategic Objectives:

- ✓ *Stimulate economic growth and job creation*
- ✓ *Increase citizens' economic security*

The reductions in individual income tax rates under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the lower tax rates on capital gains and corporate dividends and the more liberal rules for expensing of investment under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) are essential for promoting economic growth, economic security and higher living standards for the future. If these provisions are allowed to sunset, taxes will increase: for many small businesses in 2006; on dividends and capital gains beginning in 2009, and for most taxpayers very substantially beginning in 2011. The repeal of the estate tax, which raises the cost of business investment and is particularly harmful to small businesses, is also important to a growing economy.

Uncertainty about the future of these tax changes makes it difficult for individuals and businesses alike to best plan for the future. The possibility of these higher taxes raises the cost of investment for businesses and reduces individuals' after-tax rewards to working and investing, which all dampen long-run economic growth. The Treasury Department will work to see the tax cuts made permanent.

Ensuring that the Tax System is fair for all by Maintaining World Class Service and Ensuring Compliance with the Tax Laws

Supports the following Treasury Strategic Objective:

- ✓ *Collect federal tax revenue when due, through a fair and uniform application of the law*

An important part of Treasury's mission is to help taxpayers meet their tax responsibilities while respecting taxpayer rights and maintaining fairness throughout the tax system. This responsibility is vested in the **Internal Revenue Service**, which manages the systems that service taxpayers and collect most of the revenue needed to operate the government. This responsibility entails:

- *Meeting the annual demands of processing over 2.6 billion tax-related documents;*
- *Processing over 129 million returns (53 million from e-file) while sending out 98 million refunds;*
- *Providing quality service on taxpayer phone calls concerning tax law and account specific questions; and*
- *Maintaining a balanced and comprehensive compliance program to ensure that all taxpayers meet their tax obligations.*

The IRS continues to work toward their mission of "*providing America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.*" After a period of declining enforcement resources, the IRS has stabilized and increased the amount of resources dedicated to enforcement since the beginning of this Administration. The IRS FY 2005 budget of \$10.674 billion, a 4.8% increase above the FY 2004 Consolidated Appropriations level for the IRS, provides funding to improve results for its three strategic goals - customer service, enforcement, and modernization as follows:

- **Ensure the tax laws are applied fairly and equally to all taxpayers.**

The FY 2005 request **allocates \$300 million toward enforcement initiatives** designed to curb abusive tax practices, end the proliferation of abusive tax shelters, improve methods of identifying tax fraud, identify and stop promoters of illegal tax schemes and scams, and increase the number and effectiveness of audits to ensure compliance with the tax laws. This budget will allow the IRS to apply resources to areas where non-compliance is greatest: promotions of tax schemes, misuse of offshore accounts and trusts to hide income, abusive tax shelters, underreporting of income, and failure to file and pay large amounts of employment taxes. The Administration has also proposed a number of legislative changes designed to significantly enhance current enforcement programs and prevent the marketing of abusive tax avoidance transactions. The goal of these initiatives is **ensuring that the tax system is fair for all while protecting taxpayer rights.**

- **Maintain customer service and respect taxpayer rights.**

The budget **provides funding for customer service, supporting physical infrastructure, and maintaining current levels of performance.** These initiatives are designed to make filing easier; provide top quality service to taxpayers needing help with their return or account; and provide prompt, professional, improved taxpayer access and helpful treatment to taxpayers in cases where additional taxes may be due. Since 1998, the IRS has shown improvements in providing customer service. For example, in 1999, taxpayers were met with 19.4 million busy signals. In the 2003 filing season, that number dropped to less than 250 thousand. Call abandons also fell over the same period from 8.4 million to 1.1 million. Level of satisfied service increased from 51% to 80%. Moreover, almost 53 million taxpayers filed electronically (e-file) this year, an increase of 13% from last year. IRS employee satisfaction scores have increased every year since FY 1999 to the FY 2003 level of 60%.

- **Continued Implementation of the Health Coverage Tax Credit.**

The provisions of the Trade Act of 2002 (P.L. 107-210) chartered the Treasury Department (through the IRS) with establishing and implementing a new health coverage tax credit program in 2003. This program provides a refundable tax credit to eligible individuals for the cost of qualified health insurance for both the individual and qualifying family members. The budget provides **\$35 million to continue implementation and operation of the Health Coverage Tax Credit Program.**

- **Improve the Collection of Unpaid Taxes while Protecting Taxpayer Rights.**

During FY 2002, using the PART, the Administration determined that the IRS Tax Collection program fails to collect a high amount of taxes due and does not effectively and consistently collect the taxes owed. In addition, there is a large and growing inventory of identified cases where the IRS still does not take further action. To realize the collection and closure of these cases, the FY 2005 budget proposes the use of **private collection agents (PCAs)** to help collect such delinquent tax debts. This initiative allows the IRS to concentrate its collection resources on more complex cases and improve the fairness of the tax system for all Americans. Historically, PCAs have proven successful with over 40 states and other federal initiatives, such as the Student Loan Program.

Modernize the nation's tax system through investments in technology

The IRS performed comprehensive studies to review its modernization efforts during the fall of 2003. From these studies, the IRS resized its modernization efforts to allow greater management focus and capacity on the most critical projects and initiatives. It also identified opportunities for the IRS to improve its management, re-engineering of business processes and implementation of new systems and technology. The Department's FY 2005 budget provides **\$285 million** to continue this effort to replace current business systems and technology.

Serve as a Key Government Agency in the Financial War against Terrorism

Supports the following Treasury Strategic Objectives:

- ✓ *Disrupt and dismantle financial infrastructure of terrorists, drug traffickers and other criminals and isolate their support networks*
- ✓ *Execute the nation's financial sanctions policies*

In March 2003, the Secretary of Treasury established the **Executive Office of Terrorist Financing and Financial Crimes (EOTF/FC)** and charged it with coordinating and leading the Treasury Department's multifaceted efforts to combat terrorist financing and other financial crimes. This new office is responsible for policy guidance and oversight of the **Financial Crimes Enforcement Network (FinCEN)**, and the **Office of Foreign Assets Control (OFAC)**. It also assists the Commissioner of IRS in providing guidance to the **IRS-Criminal Investigation Division (IRS-CI)**.

The Office develops and implements U.S. government strategies to combat terrorist financing domestically and internationally and develops and implements the National Money Laundering Strategy as well as other policies and programs to fight financial crimes. The office is also responsible for participating in the Department's development and implementation of U.S. government policies and regulations in support of the Bank Secrecy Act and the USA Patriot Act. In addition, it represents the United States at focused international bodies dedicated to fighting terrorist financing and financial crimes and develops U.S. government policies relating to financial crimes.

The recently enacted Intelligence Authorization Act (P.L. 108-177) created a new Assistant Secretary for Intelligence and Analysis position at Treasury. During the coming year, the Department plans to implement a structure that will integrate this new position with the existing Treasury offices and overall resources - so that the Department can continue to achieve the President's priorities and its continuing responsibilities in a post September 11th and post Homeland Security Act environment. This budget request will continue supporting that structure.

It is important to note that these policies and the financial war on terrorism do not stop at freezing assets, but they include a concerted effort to safeguard financial systems through the longer term establishment of effective anti-money laundering strategies and programs.

FinCEN has a unique role in fostering interagency and global cooperation against terrorist financing. FinCEN also serves as a link between the law enforcement/intelligence communities and financial institutions and regulators in fighting domestic and international financial crimes and terrorist financing.

FinCEN's strategic analyses of domestic and worldwide money laundering developments, trends, and patterns provides U.S. policymakers a platform on which important decisions concerning terrorist threats can be made. FinCEN works toward these ends through information collection, analysis, and distribution. It also provides technology assistance and innovative, cost-effective implementation of the Bank Secrecy Act (BSA) and other Treasury authorities.

FinCEN's FY 2005 funding level reflects a 12.7% increase over the FY 2004 level reflected in the Consolidated Appropriations (H.R. 2673). As terrorist organizations and their financiers become more sophisticated in avoiding detection, this increase will allow FinCEN to:

- Improve information sharing between the financial services and law enforcement communities and enhance their ability to provide useful information to these entities regarding trends, patterns, and issues related to suspicious financial transactions and other money laundering/financial crimes which fuel terrorism and other criminal activities;
- Effectively administer additional requirements mandated by the USA Patriot Act of 2001 and subsequent regulatory requirements, including expanding the capacity to provide direct access to BSA data to meet increased demand;
- Monitor the establishment of anti-money laundering programs in all financial institutions;
- Expand the Bank Secrecy Act (BSA) to new industries and accelerate efforts to enable electronic filing of BSA data more efficiently through the Patriot Act Communications System; and
- Strengthen and expand mechanisms for the exchange of information globally to enhance the global fight against terrorism and money laundering that supports criminal activities.

OFAC administers and enforces economic sanctions and embargo programs against targeted foreign governments and foreign or domestic groups that pose threats to the national security, economy or foreign policy of the United States.

Consistent with President Bush's November 7, 2001 address, the United States continues to attack terrorists where it hurts them the most – their bank accounts.

*Since September 2001, Treasury's Office of Foreign Assets Control and our allies have frozen over **\$136 million** in terrorist assets and vested \$1.9 billion of frozen Iraqi assets.*

Only days after September 11, 2001, OFAC was responsible for drafting and implementing Executive Order 13224, which invoked Presidential authority contained in the International Emergency Economic Powers Act and froze the assets of 29 entities and individuals linked to Osama Bin Laden and his Al-Qaeda network. Since then, between 200 and 300 additional entities and individuals, most of them the result of OFAC research and investigation, have been identified as Specially Designated Global Terrorists under the Order.

This designation and asset blocking process has served as the spearhead of the President's financial war on terrorism.

The **Internal Revenue Service Criminal Investigation (IRS-CI) Division** specializes in analyzing complex financial information and determining whether that information indicates a violation of the tax laws. IRS-CI also provides expertise in enforcement of the money laundering laws and the Bank Secrecy Act. In addition, IRS-CI provides critical support to the Joint Terrorism Task Forces (JTTFs) and similar partnerships focused on disrupting and dismantling terrorist financing.

IRS-CI plays a critical role in supporting the fight on terrorist financing – its agents have developed unique skills and technology that support tax compliance but also benefit the war on terror and efforts to root out financial crimes. IRS-CI works in cooperation with other federal agencies to aid in the detection and tracking of financial assets used for illegal purposes and crimes as well as the false reporting of tax liability and use of tax exempt organizations to facilitate the financing of terror and other crimes.

The budget provides funding for IRS-CI to continue its efforts in supporting compliance with the tax code and in reducing the financial assets available to criminals and terrorists in cooperation with EOTF/FC, FinCEN and OFAC.

The **Treasury Forfeiture Fund (the Fund)** is the receipt account for the deposit of non-tax forfeitures made pursuant to laws enforced or administered by Treasury law enforcement agencies and the United States Coast Guard. Legislation has been proposed to consolidate the Fund with the Department of Justice Assets Forfeiture Fund commencing with FY 2004. The Fund was established in October of 1992 as the successor to the Forfeiture Fund of the United States Customs Service. When the legislation for the Fund was enacted, it brought together all of Treasury law enforcement under a single forfeiture program. The member law enforcement bureaus of the Fund were the U.S. Customs Service (Customs), the U.S. Secret Service (Secret Service), the Bureau of Alcohol, Tobacco, and Firearms (ATF), and the Internal Revenue Service's Criminal Investigation (IRS-CI). These Treasury bureaus were joined by the U.S. Coast Guard of the Department of Transportation, a member of the Fund as the result of a long-standing close law enforcement relationship with Customs.

Maintain and Safeguard the Government's Finances and our Nation's Financial Systems

Supports the following Treasury Strategic Objectives:

- ✓ *Increase the reliability of the U.S. financial system*
- ✓ *Manage federal debt effectively and efficiently*
- ✓ *Make collections and payments on time and accurately, optimizing use of electronic mechanisms*
- ✓ *Optimize cash management and effectively administer the government's financial systems*
- ✓ *Provide a flexible legal and regulatory framework*
- ✓ *Increase citizens' economic security*
- ✓ *Collect federal tax revenue when due, through a fair and uniform application of the law*

Departmental Offices (DO) serves as the headquarters for the Department of the Treasury. In FY 2003, DO completed a major modernization effort, developed a new Strategic Plan for the Department, and conducted a rigorous examination of its business practices. As a result of the reorganization and the divestiture of some offices to the Department of Homeland Security, DO has refocused its resources to support Treasury's new strategic plan and core mission.

The FY 2005 budget request for DO provides funds to continue its unique role in formulating and overseeing the implementation of domestic and international financial, tax, economic, terrorist finance, and management policies of both the Department and of the Federal Government. This request also supports the President's Management Agenda, with particular emphasis on improving the Department's financial performance and moving toward an electronic government.

The **Financial Management Service (FMS)** will continue to improve the efficiency of its operations and the quality of its federal financial management and debt management operations. FMS will also continue to modernize government-wide accounting and reporting infrastructure as it progresses toward an all-electronic Treasury.

The Budget includes several proposals to increase and enhance opportunities to collect delinquent debt through the Department of the Treasury's Financial Management Service's debt collection program. The proposals would: eliminate the 10-year limitations period applicable to the offset of federal non-tax payments to collect debt owed to federal agencies; increase amounts levied from vendor payments (from 15% to 100%) to collect outstanding tax obligations; allow the Secretary of the Treasury to match information about persons who owe delinquent debt to the federal government with information contained in the Department of Health and Human Service's National Directory of New Hires; and allow the offset of federal tax refunds to collect delinquent state unemployment compensation overpayments.

The **Bureau of the Public Debt (BPD)** is continuing its management and improvement of federal borrowing and debt accounting processes. BPD will provide vital support to the processing of applications and operation of systems used for re-enforcing its mission of providing quality debt management services to financial institutions, individuals, foreign governments, and over 200 government trust funds.

The passage of the Homeland Security Act of 2002 established the **Alcohol and Tobacco Tax and Trade Bureau (TTB)** within the Department of the Treasury on January 24, 2003. This Act authorized the transfer of all the firearms, explosives, and arson functions of the Bureau of Alcohol, Tobacco and Firearms (ATF) to the Department of Justice - with the exception of the administration of the Federal excise tax on firearms and ammunition, which TTB now administers. TTB will continue to improve its collection of revenues for the government and perform crucial investigations of tax fraud and deception associated with alcohol and tobacco commodities. TTB will work to ensure the public's safety through its efforts of commodity testing and enforcement of labeling regulations for alcohol beverage products.

The **Office of the Comptroller of the Currency (OCC)** serves as the Regulator and Administrator of our National Banks. OCC charters new banking institutions only after investigation and due consideration of charter applications. The bureau supervises existing national banks through the promulgation of rules and regulations for the guidance of national banks and bank directors.

The **Office of Thrift Supervision (OTS)** charters, regulates and examines federal thrifts, cooperates in the examination and supervision of state-chartered thrifts, and reviews applications of state-chartered thrifts for conversion to federal thrifts. OTS also reviews applications for the establishment of branch offices.

The **United States Mint (Mint)** responds to the needs of retail commerce by producing a reliable supply of coinage. Equally important, the Mint will continue its major role in promoting national patriotic themes with collectable coins, such as the fifty state commemorative quarters and newly designed nickel.

The **Bureau of Engraving and Printing (BEP)** continues to redesign its paper currency to counter the trend of computer generated counterfeiting. Building on past security features, the new design, known as *NexGen*, began circulation in the \$20 note in the fall of 2003, with the \$50 and \$100 note to follow 12 to 18 months later.

Treasury, BEP, and the Mint will conduct and deliver a study to Congress by July 1, 2004 regarding options to merge and/or streamline operations by consolidating certain functions and sharing costs between the Mint and Bureau of Engraving and Printing.

The **Office of Inspector General (OIG)** was created in 1978 by the Inspector General Act Amendments to oversee Treasury functions. The OIG conducts independent audits, investigations and reviews to help the Treasury Department accomplish its mission; improve its programs and operations; promote economy, efficiency and effectiveness; and prevent and detect fraud and abuse.

The **Inspector General for Tax Administration (TIGTA)** was created as part of the Internal Revenue Service Restructuring and Reform Act of 1998 to oversee operations at the Internal Revenue Service. TIGTA provides leadership and coordination and recommends policy for activities designed to promote economy, efficiency, and effectiveness in the administration of the internal revenue laws. TIGTA also recommends policies to prevent and detect fraud and abuse in the programs and operations of the IRS and related entities.

To maximize efficiencies and effectiveness, the Administration will submit legislation to merge the Treasury Inspector General and the Treasury Inspector General for Tax Administration into a new Inspector General office, called the Inspector General for Treasury. The new organization will have all of the same powers and authorities as its predecessors have under current law.

The **Community Development Financial Institutions Fund (CDFI)** is committed to helping the nation expand a unique network of financial services that support the nation's markets and populations that are not adequately served by traditional financial institutions. This is due in large part to centralized underwriting and a regulatory focus on safe and sound lending practices. CDFI provides grants and other incentives to attract capital and investment to these underserved, undercapitalized areas

to spawn growth and development. CDFI uses various investment vehicles, programs, tax incentives and organizational requirements to ensure its goals of development are achieved. CDFI supports a network of providers in a manner that ensures they are sustainable and self-reliant.

The Administration has proposed broad reform of the supervisory system for government-sponsored enterprises (GSEs) in the mortgage market: Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System. Part of this reform includes establishing a new safety and soundness regulator for the housing GSEs in the Department of the Treasury, and providing this new regulator and the Secretary with the appropriate authority to oversee effectively these large and complex enterprises. This new entity, the **Office of Housing Finance Supervision**, will serve to promote both a strong, resilient financial system and increased opportunities for affordable homeownership.

BUDGET SUMMARY CHARTS

DEPARTMENT OF THE TREASURY
FY 2005 President's Budget Summary By Function
(dollars in thousands)

<u>BUREAU/APPROPRIATION ACCOUNT</u>	FY 2003				FY 2004	FY 2005
	Enacted Level w/ Rescission	Transfer 1/	Net Enacted Level 2/	Comparative Level 3/	Consolidated Appropriations Bill H.R. 2673 w/Rescission	President's Budget
Tax Administration	9,834,948	-	9,834,948	9,834,948	10,184,517	10,674,362
Internal Revenue Service:						
Operations:						
Processing, Assistance and Management	3,930,064	-	3,930,064	3,930,064	4,009,205	4,148,403
Tax Law Enforcement 4/	3,704,833	-	3,704,833	3,704,833	4,171,244	4,564,350
Information Systems	1,621,833	-	1,621,833	1,621,833	1,581,575	1,641,768
Business Systems Modernization	363,621	-	363,621	363,621	387,699	285,000
Earned Income Tax Credit Compliance 4/	145,051	-	145,051	145,051	-	-
Health Insurance Tax Credit Administration	69,545	-	69,545	69,545	34,794	34,841
Fiscal Service Operations & Collections	535,395	53,867	589,262	614,395	597,236	600,943
Alcohol and Tobacco Tax and Trade Bureau	-	53,867	53,867	79,000	79,528	81,942
Financial Crimes Enforcement Network	51,416	-	51,416	51,416	57,231	64,502
Financial Management Service	220,634	-	220,634	220,634	227,210	230,930
Bureau of the Public Debt	188,832	-	188,832	188,832	172,627	175,166
Community Development Financial Institutions Fund	74,513	-	74,513	74,513	60,640	48,403
Management & Financial	565,227	(42,256)	522,971	489,921	397,721	405,013
<u>Departmental Offices Accounts:</u>						
Salaries and Expenses	187,971	(6,855)	181,116	158,875	175,070	185,041
Air Transportation Stabilization Program	6,002	-	6,002	6,002	2,523	2,800
Treasury Building & Annex Repairs & Restoration	28,744	-	28,744	28,744	24,853	20,316
Department-wide Systems & Capital Investments Program	65,201	(21,577)	43,624	43,509	36,185	36,072
Expanded Access to Financial Services 5/	[1,987]	-	[1,987]	-	---	-
International Affairs Technical Assistance	10,730	-	10,730	10,730	18,888	17,500
Interagency Crime and Drug Enforcement (OCDETF)	106,878	-	106,878	106,878		
<u>Inspector General Function:</u>						
Office of Inspector General	35,504	(13,824)	21,680	10,986	12,923	14,158
Treasury Inspector General for Tax Administration	124,198	-	124,198	124,198	127,279	129,126
TOTAL, TREASURY LEVEL	10,935,570	11,611	10,947,181	10,939,265	11,179,474	11,680,318

1/ As a result of P.L. 107-296, portions of the Departmental Offices, Department-wide Systems and Capital Investments Program, Office of Inspector General and Bureau of Alcohol, Tobacco and Firearms accounts were transferred out of the Department of Treasury. This column reflects the actual transfer of funds in FY 2003.

2/ Excludes U.S. Customs, Federal Law Enforcement Training Center, Counter-Terrorism Fund, and U.S. Secret Service accounts, which were transferred to the Department of Homeland Security (DHS); and Bureau of Alcohol, Tobacco and Firearms account, which was transferred to the Department of Justice.

3/ Adjusted for full-year comparability associated with enactment of the FY 2004 Homeland Security Act.

4/ These accounts are combined in FY 2004 per congressional action and as part of the FY 2005 request.

5/ Funding was appropriated but not authorized.

DEPARTMENT OF THE TREASURY

FY 2005 COMPARISON OF APPROPRIATIONS & ESTIMATES FOR TREASURY BUREAUS

(Dollars in thousands)

BUREAU/APPROPRIATION ACCOUNT	FY 2003				FY 2004	FY 2005
	Enacted Level w/Rescission	Less Transfer 1/	Net Enacted Level 2/	Comparative Level 3/	Consolidated Appropriations Bill H.R. 2673 w/Rescission	President's Budget Request
DEPARTMENTAL OFFICES:						
Salaries and Expenses.....	187,971	(6,855)	181,116	158,875	175,070	185,041
Treasury-wide Financial Statements Audit Program (non-add).....	-	-	-	-	3,393	3,393
Air Transportation Stabilization Program.....	6,002	-	6,002	6,002	2,523	2,800
Treasury Building and Annex Repair and Restoration.....	28,744	-	28,744	28,744	24,853	20,316
Expanded Access to Financial Services 4/.....	[1,987]	-	[2,000]	-	-	-
DEPARTMENT-WIDE SYSTEMS & CAPITAL INVESTMENTS PROGRAM.....	65,201	(21,577)	43,624	43,509	36,185	36,072
HR Connect (non-add).....	25,584	-	25,584	25,584	25,310	17,491
Treasury Enterprise Architecture (non-add).....	199	-	199	199	199	1,000
Critical Infrastructure (non-add).....	10,668	-	10,668	10,668	8,940	5,800
Integrated (Wireless) Treasury Network (non-add).....	28,548	(21,577)	6,971	6,856	-	1,500
Treasury Assets Management Information System (non-add).....	202	-	202	202	-	175
Treasury back-up/Disaster Recovery (non-add).....	-	-	-	-	1,739	1,746
Information Assurance (non-add).....	-	-	-	-	-	1,000
E-Authentication (non-add).....	-	-	-	-	-	561
IT Governance (non-add).....	-	-	-	-	-	275
Operational Security (non-add).....	-	-	-	-	-	1,000
E-Government (non-add).....	-	-	-	-	-	5,524
INSPECTORS GENERAL:						
Office of Inspector General.....	35,504	(13,824)	21,680	10,986	12,923	14,158
Inspector General for Tax Administration.....	124,198	-	124,198	124,198	127,279	129,126
FINANCIAL CRIMES ENFORCEMENT NETWORK.....	51,416	-	51,416	51,416	57,231	64,502
Money Service Business Regulatory Program (non-add).....	8,284	-	8,284	8,284	8,104	8,354
INTERAGENCY CRIME AND DRUG ENFORCEMENT.....	106,878	-	106,878	106,878	-	-
FINANCIAL MANAGEMENT SERVICE.....	220,634	-	220,634	220,634	227,210	230,930
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU.....	-	53,867	53,867	79,000	79,528	81,942
BUREAU OF THE PUBLIC DEBT.....	193,232	-	193,232	193,232	177,001	179,566
Maintenance Fee.....	(4,400)	-	(4,400)	(4,400)	(4,374)	(4,400)
Subtotal, BPD.....	188,832	-	188,832	188,832	172,627	175,166
INTERNAL REVENUE SERVICE:						
Processing, Assistance, and Management.....	3,930,064	-	3,930,064	3,930,064	4,009,205	4,148,403
Tax Law Enforcement 5/.....	3,704,833	-	3,704,833	3,704,833	4,171,244	4,564,350
Information Systems.....	1,621,833	-	1,621,833	1,621,833	1,581,575	1,641,768
Business Systems Modernization.....	363,621	-	363,621	363,621	387,699	285,000
Earned Income Tax Compliance 5/.....	145,051	-	145,051	145,051	-	-
Health Insurance Tax Credit Administration.....	69,545	-	69,545	69,545	34,794	34,841
Subtotal, IRS.....	9,834,948	-	9,834,948	9,834,948	10,184,517	10,674,362
TOTAL, TREASURY APPROPRIATION COMMITTEE.....	10,850,328	11,611	10,861,939	10,854,023	11,099,946	11,614,415
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND.....	74,513	-	74,513	74,513	60,640	48,403
INTERNATIONAL AFFAIRS TECHNICAL ASSISTANCE.....	10,730	-	10,730	10,730	18,888	17,500
TOTAL, TREASURY LEVEL.....	10,935,570	11,611	10,947,181	10,939,265	11,179,474	11,680,318

1/ As a result of P.L. 107-296, portions of the Departmental Offices, Department-wide Systems, and Capital Investments Program, Office of Inspector General and Bureau of Alcohol, Tobacco and Firearms accounts were transferred out of the Department of Treasury. This column reflects the actual transfer of funds in FY 2003.

2/ Excludes U.S. Customs, Federal Law Enforcement Training Center, Counter-Terrorism Fund, and U.S. Secret Service accounts, which were transferred to the Department of Homeland Security (DHS); and Bureau of Alcohol, Tobacco and Firearms, which was transferred to the Department of Justice.

3/ Adjusted for full-year comparability associated with enactment of the FY 2004 Homeland Security Act.

4/ Funding was appropriated, but not authorized.

5/ These accts are combined in FY 2004 per Congressional action and as part of the FY 2005 request.

DEPARTMENT OF THE TREASURY
FISCAL YEAR COMPARISON OF FULL-TIME EQUIVALENT STAFFING
(Direct and Reimbursable)

APPROPRIATED ACCOUNTS	FY 2003 Actual			FY 2004 Estimate 1/			FY 2005 President's Budget		
	Direct	Reimb..	Total	Direct	Reimb..	Total	Direct	Reimb..	Total
DEPARTMENTAL OFFICES 2/.....	860	316	1,176	944	320	1,264	942	320	1,262
AIR TRANSPORTATION STABILIZATION PROGRAM.....	6	-	6	6	-	6	6	-	6
EXPANDED ACCESS TO FINANCIAL SERVICES.....	3	-	3	2	-	2	-	-	-
OFFICE OF INSPECTOR GENERAL.....	87	-	87	104	-	104	117	-	117
INSPECTOR GENERAL FOR TAX ADMINISTRATION.....	911	15	926	885	15	900	862	15	877
TREASURY BUILDING & ANNEX REPAIR & RESTORATION.....	10	-	10	10	-	10	-	-	-
FINANCIAL CRIMES ENFORCEMENT NETWORK.....	229	1	230	277	1	278	291	1	292
TREASURY FRANCHISE FUND.....	-	528	528	-	557	557	-	582	582
FINANCIAL MANAGEMENT SERVICE 3/.....	1,749	320	2,069	1,818	311	2,129	1,818	316	2,134
BUREAU OF ALCOHOL, TOBACCO AND FIREARMS.....	544	15	559	544	15	559	544	15	559
BUREAU OF ENGRAVING AND PRINTING.....	-	2,427	2,427	-	2,400	2,400	-	2,400	2,400
U.S. MINT.....	-	2,302	2,302	-	2,420	2,420	-	2,393	2,393
BUREAU OF THE PUBLIC DEBT.....	1,394	5	1,399	1,333	5	1,338	1,301	5	1,306
INTERNAL REVENUE SERVICE:									
Processing, Assistance and Management.....	43,689	483	44,172	42,332	510	42,842	41,781	510	42,291
Tax Law Enforcement.....	47,658	551	48,209	49,147	600	49,747	52,089	600	52,689
Information Systems.....	7,466	9	7,475	7,559	10	7,569	7,385	10	7,395
Health Insurance Tax Credit Administration.....	6	-	6	17	-	17	17	-	17
SUBTOTAL, IRS	98,819	1,043	99,862	99,055	1,120	100,175	101,272	1,120	102,392
SUBTOTAL, TREASURY APPROPRIATED LEVEL.....	104,612	6,972	111,584	104,978	7,164	112,142	107,153	7,167	114,320
OTHER ACCOUNTS									
COMPTROLLER OF THE CURRENCY.....	-	2,761	2,761	-	2,789	2,789	-	2,789	2,789
OFFICE OF THRIFT SUPERVISION.....	-	912	912	-	913	913	-	913	913
OFFICE OF HOUSING FINANCE SUPERVISION.....	-	-	-	-	-	-	-	340	340
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND.....	53	-	53	71	-	71	71	-	71
SALLIE MAE ASSESSMENTS.....	3	-	3	3	-	3	3	-	3
TERRORISM INSURANCE PROGRAM.....	6	-	6	9	-	9	9	-	9
TOTAL, TREASURY LEVEL.....	104,674	10,645	115,319	105,061	10,866	115,927	107,236	11,209	118,445

1/ Adjusted for comparative level FY 2004 Consolidated Appropriations (H.R. 2673)

2/ Adjusted for comparative level with divested FTE resulting from enactment of the Homeland Security Act.

3/ FTE direct and reimbursable mix differ slightly from MAX numbers.

DEPARTMENT OF THE TREASURY

FY 2005 President's Budget

Summary of FY 2005 Increases and Decreases

(Dollars in thousands)

BUREAUS/ACCOUNTS	DO	ATSB	T-BARR	DSCIP	OIG	TIGTA	FINCEN	FMS	TTB	BPD	IRS	CDFI	IATA	Program Total
FY 2004 Consolidated Appropriations (H.R. 2673)	176,109	2,538	25,000	36,400	13,000	128,034	57,571	228,558	80,000	173,652	10,244,962	61,000	19,000	11,245,824
Adjustment for P.L.108-401 Resission	(1,039)	(15)	(147)	(215)	(77)	(755)	(340)	(1,348)	(472)	(1,025)	(60,445)	(360)	(112)	(66,350)
Revised FY 2004 Level (Net of Transfers)	175,070	2,523	24,853	36,185	12,923	127,279	57,231	227,210	79,528	172,627	10,184,517	60,640	18,888	11,179,474
Non-Recurring Costs	(1,260)	-	(2,957)	(7,819)	-	-	-	(1,500)	-	-	-	-	-	(13,536)
One-Time Costs/Savings	(1,260)	-	(2,957)	(7,819)	-	-	-	(1,500)	-	-	-	-	-	(13,536)
Maintain Current Levels of Service	5,606	-	-	-	306	2,872	1,404	4,792	1,894	3,640	188,456	229	-	209,199
Pay Annualizations	1,176	-	-	-	102	1,138	312	1,666	520	1,866	77,927	74	-	84,781
Initiative Annualizations	610	-	-	-	-	-	1,522	-	-	-	109,161	-	-	111,293
Inflation Type Increases	7,392	-	-	-	408	4,010	3,238	6,458	2,414	5,506	375,544	303	-	405,273
Transfers In	-	-	-	-	-	-	2,500	-	-	-	-	-	-	2,500
Transfers Out	-	-	-	-	-	-	-	-	-	-	(2,500)	-	-	(2,500)
Transfers	-	-	-	-	-	-	2,500	-	-	-	(2,500)	-	-	0
FY 2005 Current Services	181,202	2,523	21,896	28,366	13,331	131,289	62,969	232,168	81,942	178,133	10,557,561	60,943	18,888	11,571,211
Program Increases	5,939	277	-	10,846	827	193	1,533	3,925	-	-	377,341	2,192	-	403,073
Program Reductions	(2,100)	-	(1,580)	(3,140)	-	(2,356)	-	(5,163)	-	(2,967)	(260,540)	(14,732)	(1,388)	(293,966)
FY 2005 President's Budget Request	185,041	2,800	20,316	36,072	14,158	129,126	64,502	230,930	81,942	175,166	10,674,362	48,403	17,500	11,680,318

DEPARTMENT OF THE TREASURY
FY 2005 PRESIDENT'S BUDGET
Explanation of FY 2005 Increases and Decreases

	<u>\$\$\$ in thousands</u>	<u>Direct FTE</u>
FY 2004 CONSOLIDATED APPROPRIATIONS (H.R. 2673)	11,245,824	105,305
Adjustment for P.L. 108-401 Rescission	(66,350)	(244)
REVISED FY 2004 LEVEL (Net of Transfers)	11,179,474	105,061
<u>Maintaining Current Levels:</u>		
Cost Increases	209,199	0
<i>Pay & Benefits (non-add)</i>	<i>145,528</i>	<i>0</i>
<i>Non-pay (non-add)</i>	<i>63,671</i>	<i>0</i>
Pay Annualizations	84,781	
Initiative Annualizations	111,293	1,200
<i>DO</i> <i>IA and Office of Terrorist Financing and Financial Crimes Initiatives</i>	<i>610</i>	<i>5</i>
<i>IRS</i> <i>Tax Compliance Initiatives</i>	<i>109,161</i>	<i>1,185</i>
<i>FINCEN</i> <i>USA Patriot Act Workload Mandates</i>	<i>1,522</i>	<i>10</i>
<u>One-Time Costs Savings:</u>		
<i>DO</i> Reduction of FY 2002 Initiatives	(1,260)	0
<i>DSCIP</i> HR Connect	(7,819)	0
<i>FMS</i> Indian Trust Accounting Support	(1,500)	0
<i>TBARR</i> Non-recurring Costs of Building Repairs and Renovations	(2,957)	0
<u>Proposed Transfers:</u>		
<i>IRS</i> Transfer to FinCEN for BSA Direct support	(2,500)	0
<i>Exp Acc</i> transfer FTE to DO SE	0	(1)
<i>FINCEN</i> Maintain BSA Direct	2,500	0
FY 2004 CURRENT SERVICES LEVEL	11,571,211	106,260
<u>Program Initiatives:</u>		
	403,073	2,706
<i>ATSB</i> Increased Administrative Costs	277	0
<i>CDFI</i> Increased Administrative Costs for NMTC Program	2,192	0
<i>DO</i> Turkey Financing Facility	1,000	7
<i>DO</i> Emergency Preparedness	1,900	5
<i>DO</i> Protection of the Secretary	2,400	0
<i>DO</i> JFMIP/FASB	639	0
<i>DSCIP</i> Integrated Wireless Network Support	1,500	0
<i>DSCIP</i> Information (Security) Assurance	1,000	0
<i>DSCIP</i> Operational Security	1,000	0
<i>DSCIP</i> E-Authentication and Identification Management	561	0
<i>DSCIP</i> IT Governance	275	0
<i>DSCIP</i> Treasury Back-up/Disaster Recovery	10	0
<i>DSCIP</i> Treasury Enterprise Architecture	801	0
<i>DSCIP</i> E-Government	5,524	0
<i>DSCIP</i> Treasury Asset Management System	175	0
<i>FINCEN</i> Improve Government-wide Data Access Service	1,055	2
<i>FINCEN</i> Enhance Regulatory Support for New Industries	278	2
<i>FINCEN</i> Financial and Administrative Service consolidation	200	0
<i>FMS</i> Modernize Payments Systems	1,725	0
<i>FMS</i> Accounting Architecture and Infrastructure Enhancements	2,200	0
<i>IRS</i> Enforcement	315,209	2,413
<i>IRS</i> Core Infrastructure and Support	50,132	262
<i>IRS</i> Kansas City Consolidation	12,000	3
<i>OIG</i> Audit and Investigations	827	12
<i>TIGTA</i> Wireless Management Communications	193	0
<u>Program Reductions:</u>		
	(293,966)	(1,730)
<i>BPD</i> Paper Savings Bond Marketing Efforts	(967)	(32)
<i>BPD</i> Workload Reduction for Associated with Savings Bond Program	(2,000)	0
<i>CDFI</i> CDFI Grant Level	(14,732)	0
<i>DO</i> Re-engineering Efforts	(2,100)	(19)
<i>DSCIP</i> Various Program Reductions	(3,140)	0
<i>FMS</i> Re-engineering Efforts	(3,000)	0
<i>FMS</i> Debt Collection	(2,163)	0
<i>IATA</i> Technical Assistance Program	(1,388)	0
<i>IRS</i> Re-engineering Efforts - Enforcement	(15,800)	(221)
<i>IRS</i> Re-engineering Efforts - Other	(95,041)	(1,221)
<i>IRS</i> Reduction in Business Systems Modernization	(102,699)	0
<i>IRS</i> Re-scope EITC program	(29,000)	(91)
<i>IRS</i> Reduce Overhead	(18,000)	(113)
<i>TBARR</i> Re-engineering Efforts	(1,580)	(10)
<i>TIGTA</i> Audits	(942)	(11)
<i>TIGTA</i> Investigations	(1,414)	(12)
FY 2005 PRESIDENT'S BUDGET REQUEST	11,680,318	1/ 107,236

1/ Offset by prior-year rescinded balances from Violent Crime Trust Fund and Expanded Access to Financial Services accounts.

DEPARTMENT OF THE TREASURY
FY 2005 President's Budget Submission
Summary of Total Program Operating Level By Treasury Goal and Objective 1/
(Dollars in Thousands)

TREASURY GOAL/OBJECTIVE	DO S&E	ATSP	T-BARR	DSCIP	Franchise Fund	OIG	TIGTA	FINCEN	FMS	TTB	BPD	IRS	CDFI	Mint	BEP	OCC	OTS	Program Total
(E1) Promote Prosperous U.S. & World Economies																		
<i>(E1A) Increase Economic Growth & Create Jobs</i>																		
Direct Obligations	\$52,197	\$3,259											\$48,403					\$103,859
Direct FTE	241	6											71					318
Reimbursable Obligations	\$419																	\$419
Reimbursable FTE	3																	3
Subtotal Obligations	\$52,616	\$3,259	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$48,403	\$0	\$0	\$0	\$0	\$104,278
Subtotal FTE	244	6	0	0	0	0	0	0	0	0	0	0	71	0	0	0	0	321
<i>(E1B) Provide a Flexible Legal & Regulatory Framework</i>																		
Direct Obligations																		\$0
Direct FTE																		0
Reimbursable Obligations																\$54,186	\$18,235	\$72,421
Reimbursable FTE																277	91	368
Subtotal Obligations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$54,186	\$18,235	\$72,421
Subtotal FTE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	277	91	368
<i>(E1C) Improve and Simplify the Tax Code</i>																		
Direct Obligations	\$5,915																	\$5,915
Direct FTE	33																	33
Reimbursable Obligations																		\$0
Reimbursable FTE																		0
Subtotal Obligations	\$5,915	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,915
Subtotal FTE	33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33
Total Obligations, Goal E1	\$58,531	\$3,259	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$48,403	\$0	\$0	\$54,186	\$18,235	\$182,614
Total FTE, Goal E1	277	6	0	0	0	0	0	0	0	0	0	0	71	0	0	277	91	722
(E2) Promote Stable U.S. & World Economies																		
<i>(E2A) Increase Citizen's Economic Security</i>																		
Direct Obligations	\$4,065																	\$27,623
Direct FTE	23																	204
Reimbursable Obligations																		\$0
Reimbursable FTE																		0
Subtotal Obligations	\$4,065	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,558	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$27,623
Subtotal FTE	23	0	0	0	0	0	0	0	0	181	0	0	0	0	0	0	0	204
<i>(E2B) Improve Stability of International Financial System</i>																		
Direct Obligations	\$21,463																	\$21,463
Direct FTE	129																	129
Reimbursable Obligations	\$1,920																	\$1,920
Reimbursable FTE	14																	14
Subtotal Obligations	\$23,383	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,383
Subtotal FTE	143	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	143
Total Obligations, Goal E2	\$27,448	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,558	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$51,006
Total FTE, Goal E2	166	0	0	0	0	0	0	0	0	181	0	0	0	0	0	0	0	347

Key: E = Economic Mission Focus; F = Financial Mission Focus; and M = Management Focus
1/ Includes non-appropriated bureaus, Treasury's Franchise Fund, and reimbursable obligations of appropriated bureaus.

DEPARTMENT OF THE TREASURY
FY 2005 President's Budget Submission
Summary of Total Program Operating Level By Treasury Goal and Objective 1/ - Continued
(Dollars in Thousands)

TREASURY GOAL/OBJECTIVE	DO S&E	ATSP	T-BARR	DSCIP	Franchise Fund	OIG	TIGTA	FINCEN	FMS	TTB	BPD	IRS	CDFI	Mint	BEP	OCC	OTS	Program Total
(F3) Preserve the Integrity of Financial Systems																		
<i>(F3A) Disrupt/Dismantle Financial Infrastructure of Terrorists, Drug Traffickers, & Others & Isolate Support Networks</i>																		
Direct Obligations	\$13,881							\$64,502				\$131,190						\$209,573
Direct FTE	58							291				1,199						1,548
Reimbursable Obligations								\$2,804				\$94,631						\$97,435
Reimbursable FTE								1				483						484
Subtotal Obligations	\$13,881	\$0	\$0	\$0	\$0	\$0	\$0	\$67,306	\$0	\$0	\$0	\$225,821	\$0	\$0	\$0	\$0	\$0	\$307,008
Subtotal FTE	58	0	0	0	0	0	0	292	0	0	0	1,682	0	0	0	0	0	2,032
<i>(F3B) Execute the Nation's Financial Sanctions Policies</i>																		
Direct Obligations	\$35,180																	\$35,180
Direct FTE	164																	164
Reimbursable Obligations	\$2,395																	\$2,395
Reimbursable FTE	19																	19
Subtotal Obligations	\$37,575	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$37,575
Subtotal FTE	183	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	183
<i>(F3C) Increase the Reliability of the U.S. Financial System</i>																		
Direct Obligations	\$6,098																	\$6,098
Direct FTE	36																	36
Reimbursable Obligations														\$939,894	\$587,000	\$434,129	\$158,642	\$2,119,665
Reimbursable FTE														2,393	2,400	2,512	795	8,100
Subtotal Obligations	\$6,098	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$939,894	\$587,000	\$434,129	\$158,642	\$2,125,763
Subtotal FTE	36	0	0	0	0	0	0	0	0	0	0	0	0	2,393	2,400	2,512	795	8,136
Total Obligations, Goal F3	\$57,554	\$0	\$0	\$0	\$0	\$0	\$0	\$67,306	\$0	\$0	\$0	\$225,821	\$0	\$939,894	\$587,000	\$434,129	\$158,642	\$2,470,346
Total FTE, Goal F3	277	0	0	0	0	0	0	292	0	0	0	1,682	0	2,393	2,400	2,512	795	10,351
(F4) Manage the U.S. Government's Finances Effectively																		
<i>(F4A) Collect Federal Tax Revenue When Due Through a Fair & Uniform Application of the Law</i>																		
Direct Obligations	\$12,367								\$20,872	\$56,801		\$10,543,172						\$10,633,212
Direct FTE	66								186	363		100,073						100,688
Reimbursable Obligations									\$33,675	\$1,700		\$46,369						\$81,744
Reimbursable FTE									295	15		637						947
Subtotal Obligations	\$12,367	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$54,547	\$58,501	\$0	\$10,589,541	\$0	\$0	\$0	\$0	\$0	\$10,714,956
Subtotal FTE	66	0	0	0	0	0	0	0	481	378	0	100,710	0	0	0	0	0	101,635
<i>(F4B) Manage the Federal Debt Effectively & Efficiently</i>																		
Direct Obligations	\$5,844								\$842		\$173,918							\$180,604
Direct FTE	35								6		1,254							1,295
Reimbursable Obligations											\$6,283							\$6,283
Reimbursable FTE											5							5
Subtotal Obligations	\$5,844	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$842	\$0	\$180,201	\$0	\$0	\$0	\$0	\$0	\$0	\$186,887
Subtotal FTE	35	0	0	0	0	0	0	0	6	0	1,259	0	0	0	0	0	0	1,300

Key: E = Economic Mission Focus; F = Financial Mission Focus; and M = Management Focus

1/ Includes non-appropriated bureaus, Treasury's Franchise Fund, and reimbursable obligations of appropriated bureaus.

DEPARTMENT OF THE TREASURY
FY 2005 President's Budget Submission
Summary of Total Program Operating Level By Treasury Goal and Objective 1/- Continued
(Dollars in Thousands)

TREASURY GOAL/OBJECTIVE	DO S&E	ATSP	T-BARR	DSCIP	Franchise Fund	OIG	TIGTA	FINCEN	FMS	TTB	BPD	IRS	CDFI	Mint	BEP	OCC	OTS	Program Total
(F4) Manage the U.S. Government's Finances Effectively																		
<i>(F4C) Make Collections & Payments On Time & Accurately, Optimizing Use of Electronic Mechanisms</i>																		
Direct Obligations									\$147,474									\$147,474
Direct FTE									1,207									1,207
Reimbursable Obligations									\$116,960									\$116,960
Reimbursable FTE									39									39
Subtotal Obligations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$264,434	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$264,434
Subtotal FTE	0	0	0	0	0	0	0	0	1,246	0	0	0	0	0	0	0	0	1,246
<i>(F4D) Optimize Cash Management & Effectively Administer the Government's Financial Systems</i>																		
Direct Obligations	\$4,065								\$61,742		\$5,648							\$71,455
Direct FTE	22								419		47							488
Reimbursable Obligations									\$500		\$130							\$630
Reimbursable FTE									4									4
Subtotal Obligations	\$4,065	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$62,242	\$0	\$5,778	\$0	\$0	\$0	\$0	\$0	\$0	\$72,085
Subtotal FTE	22	0	0	0	0	0	0	0	423	0	47	0	0	0	0	0	0	492
Total Obligations, Goal F4	\$22,276	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$382,065	\$58,501	\$185,979	\$10,589,541	\$0	\$0	\$0	\$0	\$0	\$11,238,362
Total FTE, Goal F4	123	0	0	0	0	0	0	0	2,134	378	1,306	100,710	0	0	0	0	0	104,673
(M5) Ensure Professionalism, Excellence, Integrity & Accountability in Mgmt. & Conduct of Treasury																		
<i>(M5A) Protect the Integrity of the Department of Treasury</i>																		
Direct Obligations						\$14,158	\$129,126											\$143,284
Direct FTE						117	862											979
Reimbursable Obligations							\$3,041											\$3,041
Reimbursable FTE							15											15
Subtotal Obligations	\$0	\$0	\$0	\$0	\$0	\$14,158	\$132,167	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$146,325
Subtotal FTE	0	0	0	0	0	117	877	0	0	0	0	0	0	0	0	0	0	994
<i>(M5B) Manage Treasury Resources Effectively To Accomplish the Mission & Provide Quality Customer Service</i>																		
Direct Obligations	\$29,881		\$20,316	\$36,072														\$86,269
Direct FTE	135		0	0														135
Reimbursable Obligations	\$4,500				\$499,394												\$5,470	\$509,364
Reimbursable FTE	40				582												27	649
Subtotal Obligations	\$34,381	\$0	\$20,316	\$36,072	\$499,394	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,470	\$595,633
Subtotal FTE	175	0	0	0	582	0	0	0	0	0	0	0	0	0	0	0	27	784
Total Obligations, Goal M5	\$34,381	\$0	\$20,316	\$36,072	\$499,394	\$14,158	\$132,167	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,470	\$741,958
Total FTE, Goal M5	175	0	0	0	582	117	877	0	0	0	0	0	0	0	0	0	27	1,778
Total Direct Obligations, Treasury	\$190,956	\$3,259	\$20,316	\$36,072	\$0	\$14,158	\$129,126	\$64,502	\$230,930	\$80,359	\$179,566	\$10,674,362	\$48,403	\$0	\$0	\$0	\$0	\$11,672,009
Total Direct FTE, Treasury	942	6	0	0	0	117	862	291	1,818	544	1,301	101,272	71	0	0	0	0	107,224
Total Reimbursable Obligations, Treasury	\$9,234	\$0	\$0	\$0	\$499,394	\$0	\$3,041	\$2,804	\$151,135	\$1,700	\$6,413	\$141,000	\$0	\$939,894	\$587,000	\$488,315	\$182,347	\$3,012,277
Total Reimbursable FTE, Treasury	76	0	0	0	582	0	15	1	316	15	5	1,120	0	2,393	2,400	2,789	913	10,647
Grand Total Obligations, Treasury	\$200,190	\$3,259	\$20,316	\$36,072	\$499,394	\$14,158	\$132,167	\$67,306	\$382,065	\$82,059	\$185,979	\$10,815,362	\$48,403	\$939,894	\$587,000	\$488,315	\$182,347	\$14,684,286
Grand Total FTE, Treasury	1,018	6	0	0	582	117	877	292	2,134	559	1,306	102,392	71	2,393	2,400	2,789	913	117,871

Key: E = Economic Mission Focus; F = Financial Mission Focus; and M = Management Focus

* Includes non-appropriated bureaus, Treasury's Franchise Fund, and reimbursable obligations of appropriated bureaus.

DEPARTMENT OF THE TREASURY
FUNDING LEVELS IN THE FY 2005 PRESIDENT'S BUDGET
(dollars in millions)

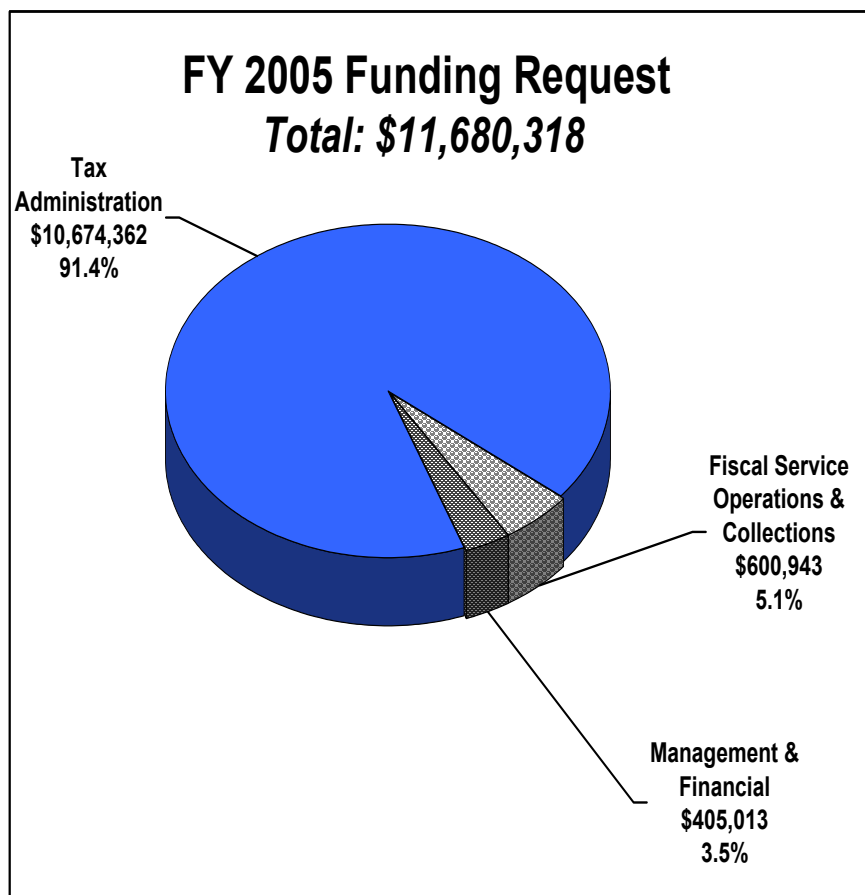
	<u>FY 2003</u> <u>Enacted</u>	<u>FY 2004</u> <u>Estimate</u>	<u>FY 2005</u> <u>Estimate</u>	Percent <u>Increase/</u> <u>Decrease</u>
ANNUAL APPROPRIATIONS.....	10,947	11,179	11,680	4.5%
INTEREST PAYMENTS:				
Interest on Public Debt.....	318,149	319,157	349,805	9.6% ^{1/}
Refunding Internal Revenue Collections, Interest.....	3,316	3,097	2,390	-22.8%
Interest on Uninvested Funds.....	8	5	5	0.0%
Interest Paid To Credit Financing Accounts.....	3,689	3,809	3,896	2.3%
Restitution of Foregone Interest.....	463	0	0	0.0%
Fed. Interest Liabilities to States.....	15	6	6	0.0%
Subtotal, INTEREST PAYMENTS.....	325,640	326,074	356,102	9.2%
TRUST FUNDS AND OTHER FUNDS:				
Federal Financing Bank.....	1,435	-645	0	-100.0%
Payment to Resolution Funding Corp.....	1,717	1,707	1,707	0.0%
Check Forgery Insurance Fund.....	2	3	3	0.0%
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund.....	5	5	5	0.0%
Air Transportation Stabilization Program Account.....	294	25	0	-100.0%
Subtotal, TRUST FUNDS AND OTHER.....	3,453	1,095	1,715	56.6%
PERMANENT AUTHORITY APPROPRIATIONS:				
Pres. Election Campaign Fund.....	55	55	55	0.0%
Terrorist Insurance Program.....	9	4	11	175.0%
Sallie Mae Assessments.....	0	1	1	0.0%
Continued Dumping and Subsidy Offset.....	312	293	0	-100.0% ^{1/}
Treasury Forfeiture Fund.....	253	251	0	-100.0% ^{1/}
Debt Collection Special Fund.....	42	32	32	0.0%
Claims, Judgments & Relief Acts.....	1,010	935	990	5.9%
Confiscated and Vested Iraqi Property and Assets.....	256	0	0	0.0%
Federal Reserve Bank Reimbursement by --				
FMS.....	175	153	200	30.7%
BPD.....	133	129	132	2.3%
Financial Agent Services.....	0	258	411	59.3%
Temporary State Fiscal Assistance Fund.....	5,000	5,000	0	-100.0%
Collection of Taxes for Puerto Rico.....	357	372	382	2.7%
IRS New and Existing Fees.....	67	70	70	0.0% ^{2/}
IRS Informant Payments.....	4	4	4	0.0%
Payment where Child Credit exceeds liab. for tax.....	6,435	7,447	11,486	54.2%
Payment where EIC exceeds liability for tax.....	31,961	33,551	33,708	0.5% ^{1/}
Payment where Health Care Credit exceeds liab. for tax.....	3	65	171	163.1% ^{1/}
Subtotal, PERMANENT AUTH. APPROP.....	46,072	48,620	47,653	-2.0%
OFFSETTING COLLECTIONS.....	-18,252	-17,382	-20,618	18.6% ^{1/}
TOTAL, DEPARTMENT OF THE TREASURY.....	367,860	369,586	396,532	7.3%

^{1/} Includes legislative proposals for FY 2005.

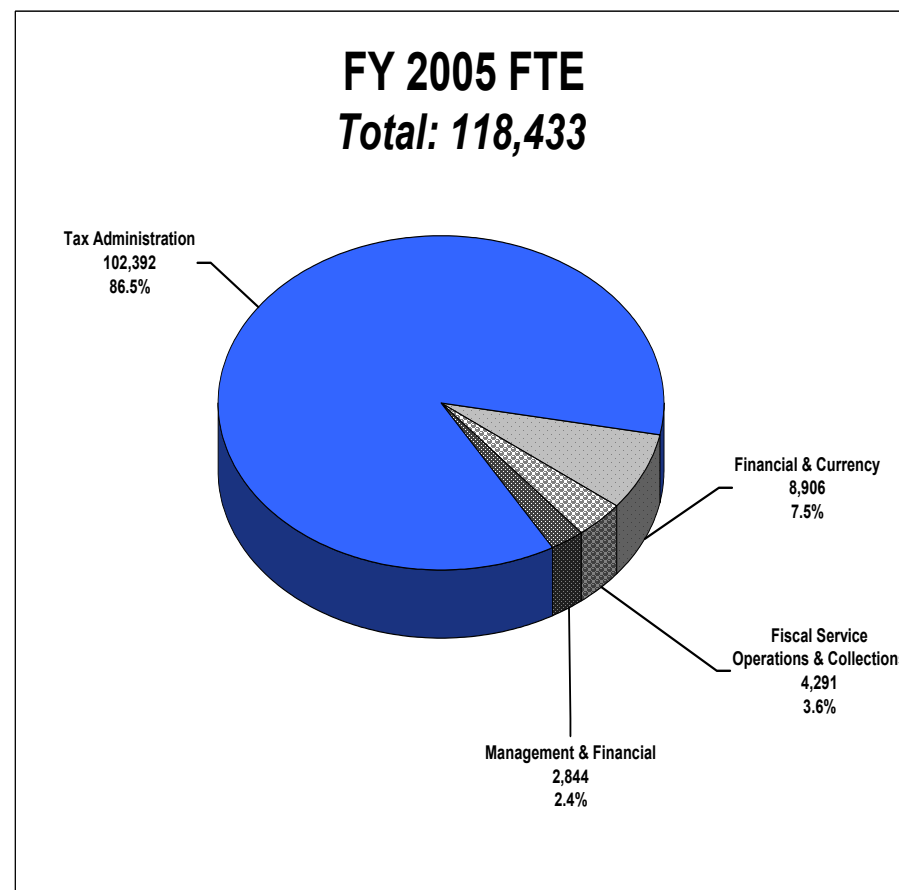
^{2/} IRS User Fees were adjusted to reflect mandatory amounts in the P&F, even though Schedule N collections is different.

DEPARTMENT OF THE TREASURY

FY 2005 President's Budget
(dollars in thousands)

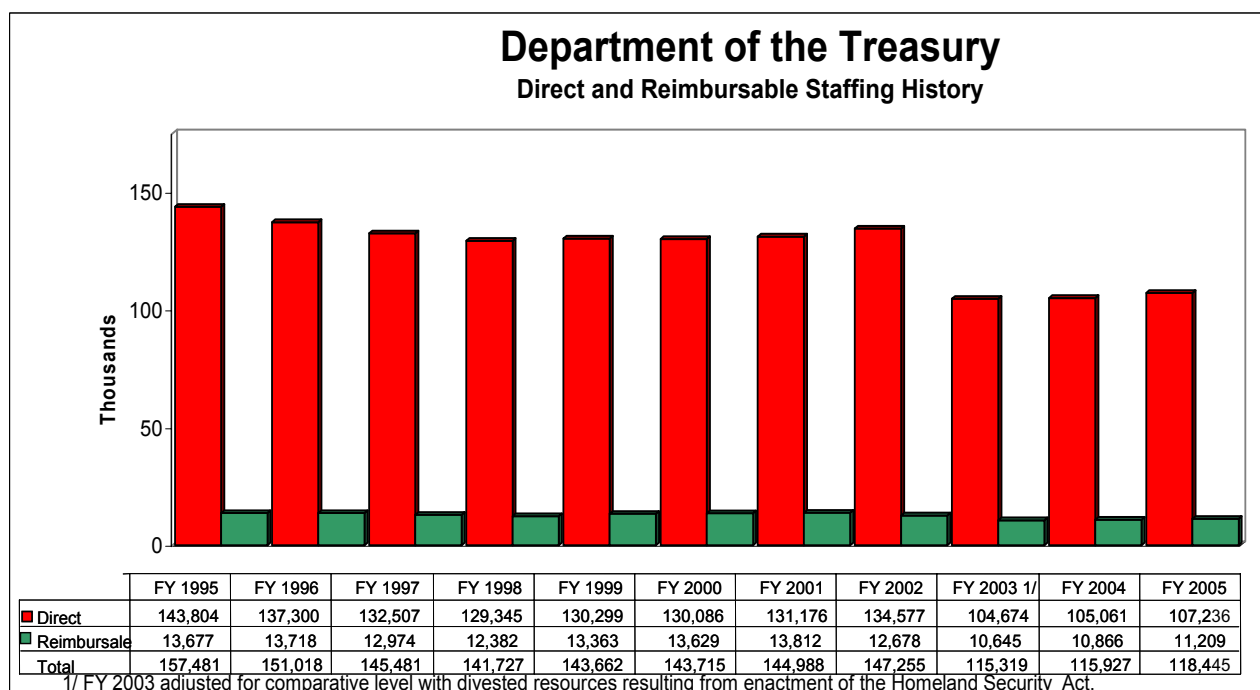
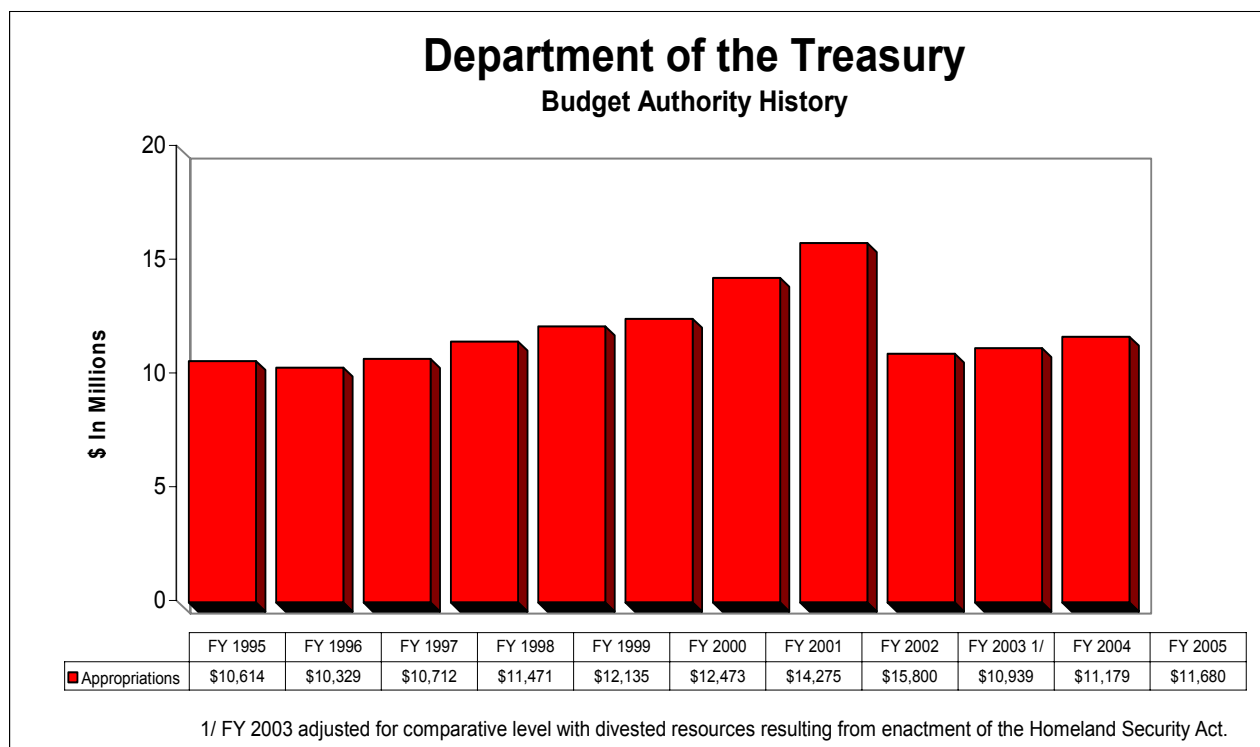


\$11,680,318 represents total appropriated funding request



118,433 FTE Level represents all Treasury FTE except Sallie Mae Assessments and Terrorism Insurance Program

FY 1995 - FY 2005
BUDGET AUTHORITY/FTE STAFFING HISTORY



PROGRAM SUMMARY

DEPARTMENTAL OFFICES

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted	FY 2004 Estimate 2/	FY 2005 Request	Increase or Decrease	
				\$millions	percent
Salaries and Expenses ^{1/}	181.1	175.1	185.0	9.9	5.6%
Treasury Building and Annex Repair and Restoration	28.7	24.9	20.3	-4.6	-18.5%
Air Transportation Stabilization Program Account	6.0	2.5	2.8	0.3	12.0%
Expanded Access for Financial Services	[2.0]	0.0	0.0	0.0	0.0 %
Net Appropriation Request	215.8	202.5	208.1	5.6	2.8%

1/ FY 2003 Salaries and Expenses amount was adjusted to reflect resources transferred to the Department of Homeland Security. Funding for Expanded Access was appropriated but not authorized.

2/ FY 2004 estimate reflects Conference Mark included in the FY 2004 Consolidated Appropriations (H.R. 2673).

Explanation of FY 2005 Request

The Departmental Offices (DO) budget request responds to four areas of high importance: 1) financial assistance for the Turkey Financing Facility that will administer and implement an \$8.5 billion loan agreement with Turkey; 2) USSS security protection for the Secretary of the Treasury; 3) establishment and maintenance of a viable plan for ensuring the continuity of essential functions during emergency conditions as required under PDD 67 and EO 12656; and 4) Contributions to the Joint Financial Management Improvement Program (JFMIP) and the Federal Accounting Standards Advisory Board (FASAB).

The FY 2005 request also supports the Treasury Building and Annex Repair and Restoration program as it nears completion, and the ongoing requirements of the Air Transportation Stabilization Program Account.

Purpose of Program

The Salaries and Expenses appropriation supports the policy and oversight activities of the Secretary and his staff for Treasury Department areas of responsibility. These areas include the implementation and management of domestic and international financial services, and tax, economic, and financial crimes policies that may pertain to either the Department or the Federal Government. The Treasury Building and Annex Repair and Restoration appropriation supports capital costs to complete the repair and restoration of Treasury's buildings. The Air Transportation Stabilization Program Account supports the Air Transportation Stabilization Board, which issues and manages a portfolio of loan guarantees to U.S. air carriers. The Expanded Access to Financial Services appropriation supports projects that expand literacy and access to financial institutions for low and moderate income Americans.

DEPARTMENTAL OFFICES

Program Description and Benefits

Activities of the Departmental Offices include:

- ❑ **Economic Policy:** Monitoring current and prospective macro- and micro-economic developments; collecting and analyzing international financial data, including foreign credits and credit guarantees; supporting consistency of government-wide economic programs; executing U.S. international financial policies; and analyzing international trade and investment functions and researching financial issues.
- ❑ **Financial Policy:** Developing tax policies and programs; officially estimating all governmental receipts; reviewing regulations and rulings to administer the Internal Revenue Code; negotiating tax treaties for the United States; providing economic and legal policy analysis; overseeing domestic finance, banking and financial institutions, and financial markets; community development; government asset privatization; public debt financing, daily government cash flow, and the Debt Collection Improvement Act.
- ❑ **Financial Crimes Policy:** Managing and providing policy development and support of combating financial crimes; developing, implementing, and enhancing the effectiveness of national money laundering strategies and activities. These activities assist the Federal Government in seizing terrorist assets and implementing financial sanctions that freeze terrorist assets.
- ❑ **Treasury-wide Management Policy:** Implementing the functions of the Chief Financial Officer (CFO), the Government Performance and Results Act (GPRA), and the Information Technology Management Reform Act, which include efficient and effective use of the Treasury's assets and resources.
- ❑ **Treasury-wide Financial Statement Audits:** Providing resources for audits for Departmental Offices and Treasury bureaus.

Program Performance

During FY 2005, DO will continue exercising Treasury's policymaking and oversight responsibilities. Domestically, DO will track, among other things, Treasury's impact on the growth and stability of domestic financial institutions and markets, fair and efficient taxation, the index of borrowing policies and borrowing requirements to financial market participants, and the development of sound and effective economic policies. Internationally, DO will maintain or improve the economic conditions in developing countries, developing debt reduction agreements for poor countries, and meeting current U.S. financing commitments, including paying all arrears to multilateral development banks.

Internally, DO will continue to implement the President's Management Agenda. DO will lead efforts to enhance bureau and departmental management operations and performance. DO will achieve this by improving the quality and timeliness of financial systems information, effectively monitoring the investment and tracking of assets, and improving acquisition and competition practices.

DEPARTMENT-WIDE SYSTEMS AND CAPITAL INVESTMENT PROGRAM

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted	FY 2004 Estimate 1/	FY 2005 Request	Increase or Decrease	
				\$millions	percent
HR Connect:					
Development	8.1	8.2	0.0	-8.2	-100.0%
Deployment	3.2	3.1	0.0	-3.1	-100.0%
Infrastructure	7.0	7.0	7.2	0.2	2.9%
Operation and Maintenance (including IRS)	7.3	7.0	10.3	3.3	47.1%
Subtotal, HR Connect:	25.6	25.3	17.5	-7.8	-30.8%
Integrated Wireless Network	6.9	0.0	1.5	1.5	NA
Critical Infrastructure Protection	8.9	9.0	5.8	-3.2	-35.6%
Asset Management Information System	0.2	0.0	0.2	0.2	NA
Treasury Back-up Disaster Recovery Capacity	1.7	1.7	1.7	0.0	0.0%
Enterprise Architecture	0.2	0.2	1.0	0.8	400.0%
Information Assurance (Security)	0.0	0.0	1.0	1.0	NA
IT Governance	0.0	0.0	0.3	0.3	NA
Operational Security	0.0	0.0	1.0	1.0	NA
Identification Management and E-Authentication	0.0	0.0	0.6	0.6	NA
E-government Initiatives	0.0	0.0	5.5	5.5	NA
Net Appropriation Request	43.5	36.2	36.1	-0.1	-2.8%

1/ FY 2004 estimate reflects Conference Mark included in the FY 2004 Consolidated Appropriations (H.R. 2673).

NA – FY 2005 request amount is an increase over zero funding in FY 2004.

Explanation of FY 2005 Request

- ❑ **HR Connect:** Treasury will complete all pending projects scheduled for completion by the end of FY 2004, so funding requirements are lower in FY 2005. Treasury will continue to develop and implement modest new functionality and services as part of its baseline service (“lights-on”), and will adopt a release approach to delivering new functionality (funded at one new release per quarter). Clients requesting any additional implementations or major enhancements will fund those requests individually.
- ❑ **Integrated Wireless Network:** In FY 2004, Treasury transferred the entire budget for the Integrated Wireless Treasury network to the Department of Homeland Security. Treasury still retains a requirement to continue managing wireless assets for the Internal Revenue Service-Criminal Investigations, Treasury Inspector General for Tax Administration, Bureau of Engraving and Printing, Mint, and Departmental Offices.
- ❑ **Critical Infrastructure Protection:** Critical Infrastructure Protection (CIP) resources are required to sustain current CIP efforts including those associated with National Security Emergency Preparedness and Homeland Security.

DEPARTMENT-WIDE SYSTEMS AND CAPITAL INVESTMENT PROGRAM

- ❑ **Treasury Back-up/Disaster Recover Capacity:** Treasury's request continues efforts on the disaster recovery initiative of the Chief Information Officer (CIO) organization. These critical efforts protect many of the Treasury's technology systems and continuity of operations for key Treasury officials and functions in the event of a disaster.
- ❑ **Information Assurance (Security):** Treasury must ensure the protection of its information systems and maintain a security level commensurate with the sensitivity of the data provided.
- ❑ **IT Governance:** The request funds resources to conduct independent analyses and implement changes enterprise-wide. This funding is critical to coordinate and continue effective planning and implementation of the governance program in concert with the Treasury enterprise architecture, to streamline an IT portfolio that better supports the mission and goals of the Department, and to ensure the incorporation of IT security throughout the life cycle of each system.
- ❑ **Operational Security:** These funds expand the scope and services provided through the Treasury Computer Security Incident Response Capability (TCSIRC) through automated cyber security assessment and vulnerability remediation capability.
- ❑ **Identification Management and E-Authentication:** E-Authentication and E-Identity management functions are increasingly being integrated into both the cyber and physical security spaces. Treasury will use the funds to establish a management office that interfaces with Treasury, its bureaus and external entities involved in this emerging landscape.
- ❑ **E-government Initiatives:** This critical government-wide initiative consolidates redundant information systems and is part of the President's Management Agenda.

Purpose of Program

The Department-wide Systems and Capital Investments Program budget addresses issues having Departmental stature because they cut across multiple Treasury bureaus or involve Treasury interface with other government agencies.

Program Performance

Bureaus deriving support from this appropriation reflect beneficial results within their respective performance measures.

OFFICE OF THE INSPECTOR GENERAL

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted	FY 2004 Estimate 1/	FY 2005 Request	Increase or Decrease	
				\$ Millions	Percent
Salaries and Expenses	11.0	12.9	14.2	1.3	10.1%

1/ FY 2004 estimate reflects the Conference Mark included in the FY 2004 Consolidated Appropriations (H.R. 2673).

Explanation of FY 2005 Request

The Office of Inspector General (OIG) requests funds to conduct audits and investigations of Treasury's programs and operations as required by the Inspectors General Act.

Purpose of Program

In 1989, the Secretary of the Treasury, as a result of the 1988 amendments to the Inspector General (IG) Act, established the OIG. Section 2 of the IG Act sets out the following major duties and responsibilities of our office:

- ☐ Conduct and supervise audits and investigations.
- ☐ Provide leadership and coordination of policies that:
 - promote economy, efficiency, and effectiveness in Treasury programs and operations; and
 - prevent and detect fraud and abuse in Treasury programs and operations.
- ☐ Provide a means for keeping the Secretary and the Congress fully and currently informed about problems and deficiencies in Treasury programs and operations.
- ☐ Submit semiannual reports to the Congress, through the Secretary of the Treasury, summarizing the activities of the OIG during the preceding period that disclose problems, abuses, and deficiencies in the administration of Treasury programs and operations. These semiannual reports also discuss the recommendations for corrective action made by the OIG.

The Office and Bureaus under OIG jurisdiction includes the 8 Treasury Bureaus (not including the Internal Revenue Service) and all Departmental Offices, including the following offices: Executive Office for Terrorist Financing and Financial Crimes, Office of Foreign Assets Control, Executive Office for Asset Forfeiture, Exchange Stabilization Fund, Community Development Financial Institutions Fund, Federal Financing, Office of D.C. Pensions, and Air Transportation Stabilization Board.

Program Description and Benefits

The OIG's responsibilities funded by this appropriation include:

- ☐ Conduct and supervise audits, investigations, and evaluations of Treasury programs and operations to:
 - promote economy, efficiency, and effectiveness in Treasury programs and operations; and
 - prevent and detect fraud and abuse in Treasury programs and operations.

OFFICE OF THE INSPECTOR GENERAL

- ☐ Provide a means for keeping the Secretary and the Congress fully and currently informed about problems and deficiencies in Treasury programs and operations.

Program Performance

OIG expects to achieve the following levels of performance in selected program areas in FY 2005, subject to requested funding:

- ☐ 100 percent of audits and evaluations sampled will meet applicable standards.
- ☐ Complete 53 audits and evaluations.
- ☐ Complete 100 percent of audits required by statute by the required date.
- ☐ 100 percent of investigations sampled will meet PCIE standards.
- ☐ Refer 7 investigations for prosecution within one year of initiation.
- ☐ Refer 15 routine misconduct investigations to management for administrative adjudication within four months of initiation.

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted	FY 2004 Estimate ^{1/}	FY 2005 Request	Increase or Decrease	
				\$Millions	Percent
Salaries and Expenses	124.2	127.3	129.1	1.8	1.5%

1/ FY 2004 amounts reflect Conference Mark included in Consolidated Appropriations (H.R. 2673).

Explanation of FY 2005 Request

The Treasury Inspector General for Tax Administration (TIGTA) provides critical audit and investigative services to ensure the integrity of tax administration on behalf of the nation's taxpayers. TIGTA protects the public's confidence in the tax system by assisting the Internal Revenue Service (IRS) in achieving its strategic goals, and identifying and addressing IRS' material weaknesses, and implementing the President's Management Agenda and the Department of the Treasury's priorities. Further, TIGTA undertakes various investigative initiatives designed to protect the IRS against external threats to systems and/or employees, as well as conveying information to the IRS about potential terrorist attacks or other threatening activities.

As TIGTA continues to face the challenge of delivering responsive, quality audit and investigative services in an ever-changing environment, it is incumbent on TIGTA to provide useful, balanced information that helps the Department of the Treasury and the IRS achieve their strategic missions. TIGTA ensures that its efforts are focused in those areas that pose the greatest risk to tax administration.

Purpose of Program

TIGTA conducts audits and investigations to assess the operations and programs of the IRS, the IRS Oversight Board, and the IRS Office of Chief Counsel to: (1) promote the economic, efficient, and effective administration of the nation's tax laws and to detect and deter fraud, waste, and abuse in IRS programs and operations; (2) recommend actions to resolve fraud and other serious problems, abuses, and deficiencies in these programs and operations, and (3) keep the Secretary and the Congress fully and currently informed of these issues and the progress made toward resolving them. In addition, TIGTA reviews existing and proposed legislation and regulations relating to the programs and operations of the IRS and makes recommendations concerning the impact of such legislation and regulations on the economy and efficiency in the administration of programs and operations of the IRS.

Program Description and Benefits

Promote the economy, efficiency, and effectiveness of Tax Administration

TIGTA's audits and investigations identify opportunities to improve the administration of the nation's tax laws. TIGTA's comprehensive, independent performance and financial audits of IRS programs and operations focus on mandated reviews and on high-risk challenges facing the IRS. The audits address a variety of issues, including information technology; computer and employee security; tax compliance initiatives; performance and financial management; taxpayer protection and rights; tax return processing; customer service; and tax fraud. Recommendations result in cost savings, as well as other quantifiable impacts, such as protection of revenue and increased revenue.

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

TIGTA undertakes various investigative initiatives designed to protect the IRS against external threats that would impede the efficient and effective administration of its operations. These investigative initiatives identify individuals who espouse violence against IRS employees or who otherwise would pose a threat to the safety of IRS employees as they carry out their work. They also provide necessary information for IRS officials to make anticipatory or proactive operational decisions about potential terrorist attacks or other activities that would pose a threat to IRS systems and operations.

Protect the Integrity of Tax Administration

To combat fraud, waste and abuse, our investigative work is centered on IRS criminal and administrative misconduct that could weaken the public's trust in government and impede effective tax administration. To heighten integrity awareness and to provide a deterrent effect against fraud, waste, abuse and misconduct, TIGTA conducts integrity awareness presentations for IRS employees, as well as law enforcement agencies, tax practitioners and community groups.

TIGTA also performs audits to determine if the IRS adequately ensures fair and equitable treatment of taxpayers. Audit recommendations result in cost savings, as well as other quantifiable impacts, such as reduction of taxpayer burden; protection of taxpayer rights and entitlements; taxpayer privacy and security; and protection of IRS resources.

Program Performance

TIGTA expects to achieve the following levels of performance in selected program areas in FY 2005, subject to requested funding:

- ☐ Identify \$1.12 billion in potential financial accomplishments that result from TIGTA's audit and investigative activities.
- ☐ Potentially Impact 12.7 million taxpaying entities, by making audit recommendations, which result in protected rights and entitlements; reduced taxpayer burden; and improved privacy and security.
- ☐ Provide integrity briefings to 33 percent of IRS employees during the fiscal year.
- ☐ Achieve a 75 percent positive response rate on employee satisfaction survey.

FINANCIAL CRIMES ENFORCEMENT NETWORK

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted	FY 2004 Estimate1/	FY 2005 Request	Increase or Decrease	
				\$millions	percent
Salaries and Expenses	51.4	57.2	64.5	7.3	12.7%

1/ FY 2004 estimate reflects Conference Mark included in the FY 2004 Consolidated Appropriations (H.R. 2673).

Explanation of FY 2005 Request

The Financial Crimes Enforcement Network (FinCEN) request will enable FinCEN to strengthen and refine the existing anti-money laundering framework for U.S. financial institutions; expand the regulations as appropriate to industries vulnerable to money laundering, terrorist financing, and other crime; and support efforts by other governments to develop or strengthen their regulatory frameworks. The request will also allow FinCEN to strengthen the processes for collecting and disseminating Bank Secrecy Act (BSA) data to its customers. These processes include a new user-friendly interface that will provide customers quick and easy access to the information they need, full automation of the alert process, and enhanced analytic tools. Finally, the request will enable FinCEN to enhance further its analytical products and services, including investigative case reports, country and regional money laundering threat assessments, and information on investigative targets developed from proactive analysis of the BSA data.

Purpose of Program

FinCEN's mission is to collect, analyze, and share the information needed to combat the financial aspects of criminal activity worldwide. FinCEN achieves this mission by: (1) administering the BSA, our nation's comprehensive anti-money laundering statute, and (2) analyzing and sharing the BSA information with U.S. law enforcement and international counterparts, to assist them in identifying and tracking the financial aspects of criminal investigations.

Program Description and Benefits

FinCEN's responsibilities funded by this appropriation include:

- ☐ **Expanding the Regulatory Framework.** This effort encompasses the expansion of regulatory frameworks, domestically and internationally, to help make financial transactions more transparent and deter the misuse of the U.S. and global financial systems by money launderers and terrorists. The information provided by financial institutions not only helps prevent money laundering and other financial crime, but also plays an important role in creating an audit trail that law enforcement can use to investigate financial crime.
- ☐ **Collecting and Sharing Information.** Accelerate the flow of valuable information to law enforcement and the regulatory community by providing customers direct access to the BSA data in a format that is easy to retrieve and understand.
- ☐ **Providing Analytical Services and Products.** Enhance the quality of analytical and investigative support to the financial, regulatory, and law enforcement communities for identifying potential criminal violations related to money laundering and terrorist financing.

FINANCIAL CRIMES ENFORCEMENT NETWORK

Program Performance

FinCEN expects to achieve the following levels of performance in selected program areas in FY 2005, subject to requested funding:

- ☐ Expand regulatory oversight and outreach to the industries newly covered by anti-money laundering regulations, and any additional industries covered by the SAR reporting requirements.
- ☐ Transmit approximately 40 percent of all BSA filings electronically through the Patriot Act Communications System (PACS).
- ☐ Expand access to BSA data, from 1,000 in FY 2003 to 3,000 by FY 2005.
- ☐ Increase the share of FinCEN's customers who rate its investigative case reports as valuable by 2 percent (to 73 percent) by FY 2005.
- ☐ Improve investigative case reports to meet customer expectations, improve timeliness of the investigative case reports, and increase the number of subjects referred in the investigative analytical reports.
- ☐ Send out over 250 Law Enforcement and Financial Institution Information Sharing (LEFIIS) requests from law enforcement. FinCEN expects these requests will generate over 10,000 responses from financial institutions, compared to 142 LEFIIS requests and 6,472 responses in FY 2003.
- ☐ Prepare approximately 90 strategic analytic products to address areas related to terrorism and money-laundering.

FINANCIAL MANAGEMENT SERVICE

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted	FY 2004 Estimate^{1/}	FY 2005 Request	Increase or Decrease	
				\$millions	percent
Salaries and Expenses	220.6	227.2	230.9	3.7	1.6%

1/ FY 2004 amounts reflect Conference Mark included in Consolidated Appropriations (H.R. 2673).

Explanation of FY 2005 Request

The Financial Management Service (FMS) request provides funds to continue its performance in providing critical services to millions of United States taxpayers and its other customers, while maintaining a high level of success in achieving Treasury's and FMS' strategic goals. FMS' FY 2005 request supports the President's Management Agenda initiative to improve the financial performance of the United States Government, with a major focus on expanding e-commerce applications, and embodies Treasury's leadership strategy to create value for the American people and focus on innovation.

Purpose of Program

FMS' activities encompass all work performed to improve the quality of government financial management and include implementing payment policy and procedures for the Federal Government, issuing and distributing payments, promoting the use of electronic methods in payment and collection processes, assisting agencies in converting payments from paper checks to electronic funds transfer (EFT), operating the Federal government's collection and deposit systems, centrally managing and collecting delinquent debts owed to the Federal Government, and providing government-wide accounting and reporting services.

Program Description and Benefits

FMS' responsibilities funded by this appropriation include:

- ☐ Producing accurate, accessible, and timely government-wide financial information and reports that contribute to improved quality of the nation's financial decision making by providing financial accounting and reporting services for the Government-at-large, collecting financial information from federal program agencies and publishing government-wide financial reports.
- ☐ Providing federal payments timely and accurately; moving toward an all-electronic system for payments; determining the optimal payment processing environment for the future; disbursing more than \$1 trillion in payments to Social Security beneficiaries, federal employees, government vendors and others; and expanding the use of electronic funds transfers for payments.
- ☐ Providing timely collection of Federal Government receipts, at the lowest cost, through an all-electronic system by administering the world's largest collections system, collecting over \$2 trillion annually through both electronic and paper-based mechanisms and developing government-wide solutions to convert paper collections to electronic.

FINANCIAL MANAGEMENT SERVICE

- ☐ Facilitating the achievement of a clean/unqualified audit opinion on the *Financial Report of the U.S. Government* through FMS' internal operations and support to government agencies in support of the Government Management Reform Act of 1994, which requires annual financial statements for the U.S. Government as a whole and 24 major agencies.
- ☐ Maximizing collection on government delinquent debt by managing government-wide delinquent debt collections as required by the Debt Collection Improvement Act of 1996 (DCIA). This includes maintaining and operating the Treasury Offset Program (TOP), a centralized offset program developed by FMS to assist federal agencies and states in the collection of delinquent debts. FMS also operates the Cross-servicing Program, a centralized debt collection process that collects delinquent debts referred from federal program agencies through the use of various tools, including private collection agencies.
- ☐ Establishing policies and processes to facilitate the integration of e-commerce technologies into the payments and collections infrastructure by maintaining current systems that support the vast majority of federal EFT payments and collections made via the Automated Clearing House (ACH), the Federal Reserve Fedwire System, and by credit card.

Program Performance

FMS expects to achieve the following levels of performance in selected program areas in FY 2005, subject to requested funding.

- ☐ Process paper check and EFT payments timely and accurately 100 percent of the time.
- ☐ Make 76 percent of Treasury payments and associated information available electronically.
- ☐ Collect electronically 82 percent of the total dollar amount of federal government receipts.
- ☐ Manage \$12 billion in lockbox collections through Pay.gov.
- ☐ Collect \$3 billion of delinquent debt through all available tools.
- ☐ Have agencies refer 92 percent of their eligible delinquent debt.
- ☐ Issue timely and accurate government-wide accounting reports.
- ☐ Work with agencies to achieve a clean/unqualified audit opinion on the *Financial Report of the U.S. Government*.

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted ^{1/}	FY 2004 Estimate ^{2/}	FY 2005 Request	Increase or Decrease	
				\$millions	percent
Salaries and Expenses	79.0	79.5	81.9	2.4	2.5%

1/ FY 2003 enacted is adjusted to reflect full-year comparable funded level.

2/ FY 2004 amounts reflect Conference Mark included in Consolidated Appropriations (H.R. 2673).

Explanation of FY 2005 Request

The Alcohol and Tobacco Tax and Trade Bureau (TTB) request maintains a program level consistent with the current level of effort necessary to support TTB's responsibility for revenue collection and enforcement of laws and regulations governing alcohol and tobacco commodities. Funding in FY 2005 also supports the revenue collection function for the firearms and ammunition excise tax.

Purpose of Program

The passage of the Homeland Security Act of 2002 established the Alcohol and Tobacco Tax and Trade Bureau (TTB) within the Department of the Treasury on January 24, 2003. This Act authorized the transfer of all the firearms, explosives, and arson functions of the Bureau of Alcohol, Tobacco and Firearms (ATF) to the Department of Justice - with the exception of the administration of the Federal excise tax on firearms and ammunition. TTB collects significant revenues for the government and performs crucial investigations of tax fraud and deception associated with alcohol and tobacco commodities. TTB works to ensure the public's safety through its efforts of commodity testing and enforcement of labeling regulations for alcohol beverage products.

Program Description and Benefits

Collect the Revenue: Provide the most effective and efficient system for the collection of all revenue that is rightfully due; eliminate or prevent tax evasion and other criminal conduct; and provide high quality service while imposing the least regulatory burden. TTB is moving toward advancements in electronic filing and modernize document processing to ensure the effective and timely collection of all eligible revenues. TTB investigates and assists with the prosecution of business entities suspected of tax evasion schemes, including diversion and smuggling of taxable commodities.

Protect the Public: Prevent consumer deception; ensure that regulated alcohol and tobacco products comply with Federal commodity, safety, and distribution requirements; and provide high quality customer service. TTB works with industry, state governments, and other interested parties to simplify compliance with regulatory requirements. TTB provides technical expertise, training, information, and research results to industry members, government agencies and others in order to better protect the public. TTB relies on innovation, partnerships, and open communication to ensure the safety of the public.

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

Program Performance

TTB will pursue the following levels of performance for FY 2005, subject to requested funding:

- ☐ Collect \$14.6 billion in taxes and fees from the alcohol, tobacco, firearms and explosives industries.
- ☐ Collect \$250 in taxes and fees for every dollar of appropriated funding expended.
- ☐ Achieve 10 percent of taxpayers filing excise tax returns and monthly operating reports electronically.
- ☐ Process 65 percent of Certification and Label Approval (COLA) (electronic and paper) within nine calendar days.
- ☐ Establish a baseline for responding to unsafe products reported with appropriate action within 48 hours.

Process and complete 90 percent of nonbeverage formula submissions and Specially Denatured Alcohol formula submissions within 10 days of receipt.

BUREAU OF ENGRAVING AND PRINTING

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted	FY 2004 Estimate	FY 2005 Estimate	Increase or Decrease	
				\$millions	percent
Revenue	518.1 [†]	539.0	587.0	48.0	8.9%

[†] Revenue from Sales – audited number from FY 2003 in CFO's Report.

Explanation of FY 2005 Estimates

The Bureau of Engraving and Printing (BEP) budget request maintains its capability to produce and deliver quality United States currency, postage stamps and other government securities to its customers in the most cost effective manner, while aggressively implementing a major redesign of currency. With the funds estimated in this budget, BEP plans to update technology, develop the workforce and improve work processes. Significant resource investments have been and continue to be made as the Bureau transitions to full production of redesigned, next generation currency for the higher denomination notes.

Purpose of Program

The BEP operates under authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321 (a)(4) to engrave and print currency and security documents. BEP finances operations through use of a revolving fund. BEP receives reimbursements from customer agencies through product sales for the direct and indirect costs of operations, including administrative expenses, the cost of capital equipment, and the provision of working capital. This precludes the need for appropriations.

Program Description and Benefits

The BEP's responsibilities funded by this authority include:

- ☐ Designing, manufacturing, and supplying U.S. currency, postage, and various government securities.
- ☐ Accounting for and destroying security waste products.
- ☐ Providing maintenance services for BEP's buildings, plants, machinery and equipment.
- ☐ Conducting research and development programs for improving the quality of products, reducing manufacturing costs, and strengthening deterrents to counterfeiting of government securities.

Program Performance

BEP expects to achieve the following levels of performance in selected program areas in FY 2005:

- ☐ Manufacturing costs for currency will not exceed \$35 per thousand notes produced.
- ☐ Maintaining/Upgrading ISO Certification.

BUREAU OF ENGRAVING AND PRINTING

- ☐ Delivering currency notes to the Federal Reserve that meet customer quality requirements 99.9 percent of the time. (This measure is more rigorous than the previous measure - number of notes returned due to manufacturing defects - as it includes both overt and covert counterfeit deterrent features.)
- ☐ Currency shipment discrepancies (overages or underages) in shipments of finished notes to the Federal Reserve Banks will be less than .0100 per million notes.

U.S. MINT PUBLIC ENTERPRISE FUND

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Actual	FY 2004 Estimate	FY 2005 Estimate	Increase or Decrease	
				\$millions	percent
Revenue†	834.0	981.0	995.0	14.0	1.4%

† Revenue reflects total budgetary resources available for obligation.

Explanation of FY 2005 Request

The 1.4 percent increase in FY 2005 reflects forecasted increases in coin shipments. The Mint plans to deliver 16.1 billion circulating coins and Fifty State Commemorative quarters to the Federal Reserve System in FY 2005 compared to 15.7 billion in FY 2004. This includes 13.0 billion circulating coins and 3.1 billion circulating quarters for the seventh year of the Fifty States Commemorative Coin Program, with the issuance of the next five coins in the ten-year series. The Mint plans to deliver 22 million products to numismatic customers in both FY 2004 and FY 2005. The estimated coin demand largely depends on the condition of the U.S. economy; in a strong economy customers need more coins, while in a weaker economy customers need fewer coins. The economic conditions that develop in FY 2005 will ultimately determine the Mint's resource needs. In addition, the Mint will continue implementation of its new strategic plan to become a *World Class* organization consistent with the President's Management Agenda. The Mint continually reviews programmatic efforts in order to reduce or remove programs that produce little or no value. Budget and performance integration, as part of the President's Management Agenda, requires this kind of business review, with the emphasis on best results at the lowest total cost.

Purpose of Program

The U. S. Mint manufactures and delivers domestic circulating coinage, numismatic and bullion products, and provides security over assets including the government's stock of gold and silver bullion, coins, and coinage metals. The Mint Public Enterprise Fund finances these activities through use of a revolving fund authorized by Public Law 104-52 (31 U.S.C. § 5136). This precludes the need for appropriations.

Program Description and Benefits

The responsibilities of the United States Mint Public Enterprise Fund include:

- ☐ Manufacturing and distributing circulating coinage to meet Federal Reserve demand.
- ☐ Manufacturing, marketing, and distributing numismatic and bullion coins, medals, and other products for sale to collectors and the general public.
- ☐ Protecting Mint facilities, including the government's stock of gold and silver bullion, coins, and coinage metals at Mint locations.

U.S. MINT PUBLIC ENTERPRISE FUND

Program Performance

The Mint expects to achieve the following levels of performance toward bureau-wide targets in FY 2005:

- ☐ Reduce the cost of storing and carrying inventory by improving inventory turnover (the number of times per year that average inventory is sold) from 2.0 in FY 2003 to 4.2 in FY 2005.
- ☐ Increase yield (the percentage of raw material transformed into finished goods) from 86 percent in FY 2003 to 97 percent in FY 2005.

BUREAU OF THE PUBLIC DEBT

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted	FY 2004 Estimate1 /	FY 2005 Request	Increase or Decrease	
				\$millions	percent
Administering the Public Debt	193.2	177.0	179.6	2.6	1.5%
Offsetting Maintenance Fees	-4.4	-4.4	-4.4	0.0	0.0%
Net Appropriation	188.8	172.6	175.2	2.6	1.5%

1/ FY 2004 estimate reflects the Conference Mark included in the FY 2004 Consolidated Appropriations (H.R. 2673).

Explanation of FY 2005 Request

The Bureau of the Public Debt's funding level for FY 2005 supports efforts necessary to borrow the money needed to operate the Federal Government and to account for the resulting public debt.

Public Debt reduced its workload estimates in FY 2005 for savings bond redemptions based on the decline in the volume of redemptions in recent years. In addition, Public Debt plans to reduce its staffing levels due to plans for the termination of new issues of Series HH bonds and efficiencies gained through the successful implementation of the new TreasuryDirect system.

Purpose of Program

The Bureau of Public Debt administers the laws and regulations that apply to the financing of public debt, accounting for the public debt and related interest costs, and the issuing, servicing, and retirement of public debt securities.

Program Description and Benefits

Public Debt's responsibilities funded by this appropriation include:

- ☐ **Fiscal and Financial Policy:** Implementing regulations governing the primary issuance of Treasury securities and secondary market transactions involving government securities; issuing and redeeming Treasury securities; conducting various servicing transactions on outstanding securities including exchanges and transfers; receiving, auditing, recording, storing, and destroying redeemed securities and interest coupons; and protecting the investor by adjudicating claims on lost, stolen or destroyed securities.
- ☐ **Fiscal and Financial Policy – Accurate and Timely Information:** Establishing and maintaining accurate records of the sale and redemption of savings bonds; managing, issuing and accounting for investments on behalf of more than 200 government agencies and Federal Trust Funds; conducting auctions and announcing auction results in a timely manner; and recording and reporting accurate financial data concerning the public debt.
- ☐ **Management Policy – Customer Service:** Providing quality customer service and convenience to the investor by making savings securities available through a nationwide network of financial institutions issuing and paying agents; issuing marketable securities directly and through the Federal Reserve Banks; and enabling investors to request information and complete financial transactions using emerging electronic technologies.

BUREAU OF THE PUBLIC DEBT

Program Performance

Public Debt expects to achieve the following levels of performance in selected program areas in FY 2005, subject to requested funding:

- ☐ Provide accurate and timely public debt accounting information by:
 - Receiving unqualified audit opinions on the Schedule of Federal Debt and Loans Receivable.
 - Producing quarterly Public Debt financial statements, with a long-term goal of producing daily statements by FY 2007.
- ☐ Meet the borrowing needs of the Federal Government by:
 - Announcing auction results within 2 minutes \pm 30 seconds 95 percent of the time.
 - Increasing the number of bidders in Treasury auctions by 1.5 percent, with a long-term goal of 15 percent by FY 2010.
 - Having 5 percent of Treasury's Retail Debt held in the TreasuryDirect System, with a long-term goal of 50 percent by FY 2011.
- ☐ Provide quality service to retail investors by:
 - Completing 90 percent of retail customer service transactions within 13 business days, with a long-term goal of 10 business days by FY 2010.
 - Making 100 percent of retail securities interest and redemption payments timely and accurately.
 - Making 100 percent of Commercial Book Entry interest and redemption payments timely and accurately.
 - Processing 100 percent of Federal Investment Program transactions timely and accurately.
 - Conducting 55 percent of Government Agency customer transactions on-line, with a long-term goal of 80 percent by FY 2008.
- ☐ Fulfill customer expectations in the Retail Securities Services Activity by:
 - Having 90 percent of customers rate their overall satisfaction as good or excellent.
- ☐ Fulfill employee satisfaction in the Wholesale Services, Government Agency Investment Services, Retail Securities Services, and Summary Debt Accounting Activities by:
 - Having 70 percent of employees rate their job satisfaction as satisfied or better.

INTERNAL REVENUE SERVICE

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted	FY 2004 Proposed ¹	FY 2005 Request	Increase or Decrease	
				\$millions	percent
Processing, Administration and Management	3,930.1	4,009.2	4,148.4	139.2	3.5%
Tax Law Enforcement	3,704.8	4,171.2	4,564.4	393.2	9.4%
Information Systems	1,621.8	1,581.6	1,641.8	60.2	3.8%
Business Systems Modernization	363.6	387.7	285.0	-102.7	-26.5%
EITC Compliance	145.1	n/a ²	n/a ²	n/a ²	n/a ²
Health Insurance Tax Credit Administration	69.5	34.8	34.8	0.0	n/a
Net Appropriation Request	9,834.9	10,184.5	10,674.4	489.9	4.8%

1/ FY 2004 amounts reflect Consolidated Appropriations bill (H.R. 2673).

2/ The FY 2004 Consolidated Appropriations bill (H.R. 2673) subsumed the EITC appropriation into the Tax Law Enforcement (TLE) appropriation. The FY 2005 President's Budget proposes to maintain EITC within the TLE account.

Explanation of FY 2005 Request

The Internal Revenue Service (IRS) budget request for FY 2005 is \$10.674 billion, \$490 million more than the FY 2004 Consolidated Appropriations (H.R. 2673) amount of \$10.185 billion. Most of this increase, \$300 million, will be used to substantially restore an enforcement presence to the IRS. Funding is also requested for reinvestments in customer service, maintenance of current levels of performance, annualization of FY 2004 enforcement increases, and physical infrastructure consolidation.

This budget will allow the IRS to apply its resources to those areas where non-compliance is greatest:

- ☐ Promoters of tax schemes
- ☐ Misuse of offshore accounts and trusts to hide or improperly reduce income
- ☐ Abusive corporate tax shelters
- ☐ Underreporting of tax by higher-income individuals
- ☐ Failure to file and pay large amounts of employment taxes

The IRS intends to establish this enforcement presence while maintaining and enhancing its customer service record. In addition, the budget request allows IRS to focus its business systems modernization approach to ensure that a smaller portfolio of investments yields projects that will reduce operating costs, increase cost avoidance, reduce taxpayer burden, and increase tax receipts.

Purpose of Program

IRS receives federal tax payments and is committed to providing top quality service by helping taxpayers understand and meet their tax responsibilities. They are also committed to helping taxpayers comply with tax laws and applying tax laws with integrity and fairness to all.

INTERNAL REVENUE SERVICE

Program Description and Benefits

IRS provides three primary services: Pre-Filing Services, Filing Services and Post-Filing Services.

- ☐ **Pre-Filing Services**—Provides taxpayer service before the return is filed to assist in the filing of a correct return. IRS continues to emphasize taxpayer education, outreach, increased volunteer support time and locations, expanding pre-filing agreements and rulings, and enhancing pre-filing customer support through electronic media.
- ☐ **Filing Services**-- Provides taxpayer service in processing filed returns and paying taxes, including electronic filing and payment. IRS continues to make progress in decreasing paper returns and increasing the use of electronic filing and payment methods. IRS is also increasing both the capacity and effectiveness of its telephone and in-person taxpayer support.
- ☐ **Post-Filing Services**—Applies tax laws and enforces compliance. IRS interacts with taxpayers after a return is or should have been filed to identify underreporting, non-filing, and non-payment. IRS continues to focus on improving the quality of examinations and investigations, increasing customer and employee satisfaction, increasing offers-in-compromise, and increasing case closures.

Program Performance

IRS expects to achieve the following levels of performance in selected program areas in FY 2005, subject to requested funding:

- ☐ Examine an additional 30,000 investor returns in the Small Business and Self-Employed (SB/SE) business unit and increase coverage of high-income taxpayers, generating an additional \$170 million in FY 2006. SB/SE also anticipates closing an additional 50,000 taxpayer delinquent accounts, resulting in an estimated \$215 million in additional revenue collections.
- ☐ Hire and train over 2,000 new staff in the Examination, Collection and Document Matching programs. These increases will generate some \$2.8 billion in direct enforcement revenue through FY 2007. Additional audits of investor returns and high-income taxpayers, together with 55,000 correspondence examinations, will yield more than \$1.0 billion during that same period and help to maintain an overall audit coverage rate of 0.57 percent. Collection closures will increase by 240,000, and taxpayer contacts through the Automated Underreporter Program by some 300,000 through FY 2007 -- generating an additional \$1.8 billion.
- ☐ Increase the overall audit coverage rate in the Large and Mid-Sized business unit from 5.1% in FY 2004 to 9.6% in FY 2007 and increase projected return closures by 63% from 16,067 returns in FY 2004 to 26,193 returns in FY 2007. Enforcement revenue recommended for the three years FY 2005 through FY 2007 should increase by over \$3 billion.
- ☐ Complete 229 significant Corporate Fraud investigations through FY 2007. Tax-related completed investigations will increase by approximately 20 percent over the FY 2003 level by FY 2007. In addition, IRS' Criminal Investigation Division is striving to reduce elapsed time on completed investigations by 30 percent from FY 2002 levels.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Program Summary (dollars in millions)					
Appropriation Title	FY 2003 Enacted	FY 2004 Proposed ^{1/}	FY 2005 Request	Increase or Decrease	
				\$millions	percent
Salaries and Expenses	74.5	60.6	48.4	-12.2	-20.2%

1/ FY 2004 amounts reflect Conference Mark included in Consolidated Appropriations (H.R. 2673).

Explanation of FY 2005 Request

The Community Development Financial Institutions (CDFI) Fund FY 2005 request will enable the Fund to meet the needs of the financial network dedicated to improving the lives of our most economically deprived communities and citizens by helping CDFIs along the road to self-sufficiency so that they do not rely on subsidized operational funding to stay in existence. The CDFI Fund also manages the increasing demand and need for our assistance while achieving measurable results nation-wide with a broad network of Community Development Entities/Community Development Financial Institutions.

Purpose of Program

The CDFI Fund expands the availability of credit, investment capital, and financial services in distressed urban and rural communities, and carries out the Community Development Banking and Financial Institutions Act of 1994. The Fund's investments work toward building private markets, creating healthy local tax revenues, and empowering residents by stimulating the creation and expansion of diverse community development financial institutions (CDFIs) and providing incentives to traditional banks and thrifts through the Bank Enterprise Award (BEA) Program. The CDFI Fund provides small infusions of capital to institutions that serve distressed communities and low-income individuals. The Fund's activities leverage millions of private-sector investments dollars from banks, foundations, and other funding sources.

Program Description and Benefits

The CDFI Fund's responsibilities funded by this appropriation include:

- ❑ **Promoting fair and efficient deliveries of credit and other financial services and helping to bring residents of distressed communities into the economic mainstream.** The Fund invests directly in CDFIs that satisfy quality standards and are able to raise private matching funds; provides training and technical assistance to improve the capacity of CDFIs; implements secondary market initiatives which draw in new sources of private institutional capital to support the activities of CDFIs; provides incentives to traditional financial institutions to increase their support of CDFIs and increase the lending and financial services they provide in distressed communities; and develops tax incentives designed to improve the prospects for economic growth in distressed areas and increase job opportunities for low-income workers.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Program Performance

CDFI expects to achieve the following performance objectives in selected program areas with requested funding in FY 2005:

- ☐ Increase financing to businesses (including non-profit businesses) and individuals that are low wealth, have limited collateral, are located in underserved communities, or have other characteristics that prohibit them from getting business or commercial real estate loans or equity investments from traditional financial sources.
- ☐ Expand the supply and quality of housing units in underserved communities and increase homeownership in these markets by increasing the availability of housing financing that leverages conforming mortgages or that would likely not be made by traditional financial institutions.
- ☐ Expand access to affordable financial services for the “unbanked,” low-income people and others in underserved communities.
- ☐ Build the self-sufficiency and capacity of CDFI Fund awardees and certified CDFIs.

**ANALYSIS OF THE
FY 2005
PRESIDENT'S
BUDGET**

DEPARTMENTAL OFFICES
Salaries and Expenses

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATIONS (H.R. 2673)	176,109	944
FY 2004 RESCISSION (H.R. 2673)	-1,039	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	175,070	944
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	5,939	12
• Reductions, Non-Recurring Costs, and Savings.	-3,360	-19
• Adjustments for Maintaining Current Levels.	6,782	---
• Program Annualizations.	610	5
TOTAL FY 2005 CHANGES.	9,971	-2
FY 2005 PRESIDENT'S BUDGET	185,041	942

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

Program Changes: Funds are requested for: 1) Turkey Financing Facility (\$1,000 and 7 FTE); 2) United States Secret Service (USSS) protection to the Secretary of the Treasury (\$2,400 and 0 FTE); 3) Office of Emergency Preparedness (\$1,900 and 5 FTE); and 4) Contributions to the Joint Financial Management Improvement Program and the Federal Accounting Standards Advisory Board (\$639 and 0 FTE).	5,939	12
Reductions, Non-Recurring Costs, and Savings: Savings resulting from re-engineering (-\$2,100 and -19 FTE) and non-recurring expenses (-\$1,260 and 0 FTE).	-3,360	-19
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$1,176 and 0 FTE); 2) the proposed January 2005 pay raise (\$2,960 and 0 FTE); and 3) non-labor related items (\$2,646 and 0 FTE).	6,782	---
Program Annualizations: Funds are requested for completing the full-year cost and FTE realization of positions from prior year.	610	5

DEPARTMENTAL OFFICES
Treasury Building and Annex Repair and Restoration

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATIONS (H.R. 2673)	25,000	10
FY 2004 RESCISSION (H.R. 2673)	-147	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	24,853	10
CHANGES PROPOSED FOR FY 2005		
• Reductions, Non-Recurring Costs, and Savings.	-4,537	-10
TOTAL FY 2005 CHANGES.	-4,537	-10
FY 2005 PRESIDENT'S BUDGET	20,316	---

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

	Amount (\$000s)	Direct FTE
Reductions, Non-Recurring Costs, and Savings: Non-recurring costs associated with completing the repair and renovations of the Treasury Building and Annex.	-4,537	-10

DEPARTMENTAL OFFICES
Air Transportation Stabilization Program

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATIONS (H.R. 2673)	2,538	6
FY 2004 RESCISSION (H.R. 2673)	-15	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	2,523	6
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	277	---
TOTAL FY 2005 CHANGES.	277	---
FY 2005 PRESIDENT'S BUDGET	2,800	6

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

	Amount (\$000s)	Direct FTE
Program Changes: Funds are requested for loan monitoring (\$277 and 0 FTE).	277	---

DEPARTMENTAL OFFICES
Expanded Access to Financial Services

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATIONS (H.R. 2673)	---	2
FY 2004 RESCISSION (H.R. 2673)	---	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	---	2
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	---	-2
TOTAL FY 2005 CHANGES.	---	-2
FY 2005 PRESIDENT'S BUDGET	---	0

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

Program Changes: No funding or FTE are requested for the Expanded Access to Financial Services program.

DEPARTMENT-WIDE SYSTEMS AND CAPITAL INVESTMENTS PROGRAM

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	36,400	---
FY 2004 RESCISSION (H.R. 2673)	-215	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	36,185	---
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	10,846	---
• Reductions, Non-Recurring Costs, and Savings.	-10,959	---
TOTAL FY 2005 CHANGES.	-113	---
FY 2005 PRESIDENT'S BUDGET	\$36,072	---

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

Program Changes: Funds are requested for the new projects listed in the table below.

10,846 ---

Reductions, Non-Recurring Costs, and Savings: Resources will be made available from realigning resources from various programs (-\$3,140 and 0 FTE); and non-recurring development costs for HR Connect (-\$7,819 and 0 FTE).

-10,959 ---

<u>FY 2005 DSCIP Request by Project</u>	<u>FY 2004</u>	<u>FY 2005</u>
HR Connect	25,310	17,491
Integrated Wireless Network	--	1,500
Critical Infrastructure Protection	8,490	5,800
Asset Management Information System	--	175
Treasury Back-up Disaster Recovery Capacity	1,736	1,746
Enterprise Architecture	199	1,000
Subtotal	\$36,198	\$27,712
<u>New Initiatives:</u>		
Information Assurance (Security)		1,000
IT Governance		275
Operational Security		1,000
Identification Management and E-Authentication		561
E-government Initiatives		5,524
Total	\$36,198	\$36,072

OFFICE OF THE INSPECTOR GENERAL

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	13,000	104
FY 2004 RESCISSION (H.R. 2673)	-77	0
FY 2004 PROPOSED AUTHORIZED LEVEL ¹	12,923	104
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	827	13
• Adjustments for Maintaining Current Levels.	408	---
TOTAL FY 2005 CHANGES.	1,235	13
FY 2005 PRESIDENT'S BUDGET	14,158	117

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

Program Changes: Funds are requested for audit activities (\$546 and 10 FTE) and investigation activities (\$281 and 3 FTE).

Adjustments for Maintaining Current Levels: Funds are requested for 1) FY 2005 cost of January 2004 pay increase (\$102 and 0 FTE); 2) the proposed January 2005 pay raise (\$251 and 0 FTE); and 3) non-labor related items such as travel, supplies, equipment and GSA rent adjustments (\$55 and 0 FTE).

827	13
408	---

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	128,034	931
FY 2004 RESCISSION (H.R. 2673)	-755	-7
• FY 2004 Technical Adjustment	---	-39
FY 2004 PROPOSED AUTHORIZED LEVEL¹	127,279	885
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	-2,163	-23
• Adjustments for Maintaining Current Levels.	4,010	
TOTAL FY 2005 CHANGES.	1,847	-23
FY 2005 PRESIDENT'S BUDGET	129,126	862

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

	Amount (\$000s)	Direct FTE
Program Changes: The net program reduction reflects: 1) a program increase for Wireless Management Communications (\$193 and 0 FTE), and 2) base reductions for Audit and Investigations programs (-\$2,356 and -23 FTE).	-2,163	-23
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$1,138 and 0 FTE); 2) the proposed January 2005 pay raise (\$2,277 and 0 FTE); and, 3) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments (\$595 and 0 FTE).	4,010	---

FINANCIAL CRIMES ENFORCEMENT NETWORK

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	57,571	277
FY 2004 RESCISSION (H.R. 2673)	-340	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	57,231	277
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	1,533	4
• Transfer In.	2,500	---
• Adjustments for Maintaining Current Levels.	1,716	---
• Program Annualizations.	1,522	10
TOTAL FY 2005 CHANGES.	7,271	14
FY 2005 PRESIDENT'S BUDGET	64,502	291

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

	Amount (\$000s)	Direct FTE
Program Changes: Funds are requested for: 1) enhancing regulatory support to newly covered industries (\$278 and 2 FTE); 2) enhancing access to Bank Secrecy Act information (\$1,055 and 2 FTE); and 3) procuring financial and administrative services (\$200 and 0 FTE).	1,533	4
Transfer In: Transfer from the Internal Revenue Service for maintenance and deployment of the Bank Secrecy Act Direct Systems (\$2,500 and 0 FTE).	2,500	---
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$312 and 0 FTE); 2) the proposed January 2005 pay raise (\$538 and 0 FTE); and 3) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments (\$866 and 0 FTE).	1,716	---
Program Annualizations: Funds are requested for completing the full-year cost and FTE realization of positions from the prior year USA Patriot Act workload mandates initiative (\$1,522 and 10 FTE).	1,522	10

FINANCIAL MANAGEMENT SERVICE

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	228,558	1,818
FY 2004 RESCISSION (H.R. 2673)	-1,348	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	227,210	---
CHANGES PROPOSED FOR FY 2005		
• Reductions, Non-Recurring Costs, and Savings.	-6,663	---
• Reinvestment of Freed-Up Resources.	3,925	---
• Adjustments for Maintaining Current Levels.	6,458	---
TOTAL FY 2005 CHANGES.	3,720	---
FY 2005 PRESIDENT'S BUDGET	230,930	1,818

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

	Amount (\$000s)	Direct FTE
Reductions, Non-Recurring Costs, and Savings: Reflects one-time funding adjustments to the FY 2004 base for: 1) Efforts pursuant to respective obligations of the Department of the Treasury's overall responsibilities in the <i>Cobell et al v. Norton et al</i> and the Tribal Trust Fund cases (-\$1,500, and 0 FTE, and 2) business strategy adjustments to reduce low value activities (-\$5,163 and 0 FTE).	-6,663	---
Reinvestment of Freed-Up Resources: Savings through productivity gains, etc., will be applied to the modernization and redesign of FMS' payment systems and accounting architecture.	3,925	---
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$1,666 and 0 FTE); 2) the proposed January 2005 pay raise (\$2,902 and 0 FTE); and 3) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments (\$1,890 and 0 FTE).	6,458	---

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	80,000	544
FY 2004 RESCISSION (H.R. 2673)	-472	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	79,528	544
CHANGES PROPOSED FOR FY 2005		
• Adjustments for Maintaining Current Levels.	2,414	---
TOTAL FY 2005 CHANGES.	2,414	---
FY 2005 PRESIDENT'S BUDGET	81,942	544

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$520 and 0 FTE); 2) the proposed January 2005 pay raise and other labor related benefits (\$991 and 0 FTE); and 3) non-labor related items such as contracts, travel, supplies, equipment, GSA rent adjustments (\$903 and 0 FTE).

2,414 ---

BUREAU OF THE PUBLIC DEBT
Administering the Public Debt

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	178,052	1,333
FY 2004 OFFSETTING USER-FEES	-4,400	---
FY 2004 RESCISSION (H.R. 2673)	-1,025	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	172,627	1,333
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	-2,967	-32
• Adjustments for Maintaining Current Levels.	5,506	---
TOTAL FY 2005 CHANGES.	2,539	-32
FY 2005 PRESIDENT'S BUDGET	175,166	1,301

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

	Amount (\$000s)	Direct FTE
Program Changes: Reflects one-time funding adjustments to the FY 2004 base for: 1) Withdrawal of the Series HH offering (31 CFR Part 352) in mid-2004 (\$2,000 and 0 FTE), and 2) business strategy adjustments to reduce low value activities (\$967 and 0 FTE).	-2,967	-32
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$1,866 and 0 FTE); 2) the proposed January 2005 pay raise (\$2,096 and 0 FTE); 3) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments (\$1,544 and 0 FTE).	5,506	---

INTERNAL REVENUE SERVICE

Summary

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	10,244,962	99,292
FY 2004 RESCISSION (H.R. 2673)	-60,445	-237
FY 2004 PROPOSED AUTHORIZED LEVEL¹	10,184,517	99,055
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	116,801	1,762
• Reductions, Non-Recurring Costs, and Savings.	-110,841	-1,442
• Reinvestment of Freed-Up Resources.	110,841	712
• Transfer Out.	-2,500	---
• Adjustments for Maintaining Current Levels.	266,383	---
• Program Annualizations.	109,161	1,185
TOTAL FY 2005 CHANGES	489,845	2,217
FY 2005 PRESIDENT'S BUDGET	10,674,362	101,272

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

	Amount (\$000s)	Direct FTE
Program Changes: Funds are requested for: 1) Processing, Assistance and Management (\$34,668 and -65 FTE); 2) Tax Law Enforcement (\$169,010 and 1,827 FTE); 3) Information Systems (\$15,822 and 0 FTE); and 4) Business Systems Modernization (-\$102,699 and 0 FTE).	116,801	1,762
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): The IRS will reapply internal productivity growth and other savings from: 1) Processing, Assistance and Management (-\$50,154 and -720 FTE); 2) Tax Law Enforcement (-\$27,603 and -312 FTE); and 3) Information Systems (-\$33,084 and -410 FTE).	-110,841	-1,442
Reinvestment of Freed-Up Resources: Savings through productivity gains, etc., will be reapplied to: 1) Processing, Assistance and Management (\$25,544 and 26 FTE); 2) Tax Law Enforcement (\$49,909 and 450 FTE); and 3) Information Systems (\$35,388 and 236 FTE).	110,841	712
Transfer Out: Transfer from IRS Detroit Computing Center (Information Systems appropriation) to the Financial Crimes Enforcement Network (FinCEN) for maintenance of the Bank Secrecy Act Direct Systems (-\$2,500 and 0 FTE).	-2,500	---

INTERNAL REVENUE SERVICE
Summary

	Amount (\$000s)	Direct FTE
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$77,927 and 0 FTE); 2) the proposed January 2005 pay raise (\$133,405 and 0 FTE); and 3) non-labor related items (\$55,051 and 0 FTE).	266,383	---
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year (\$109,161 and 1,185 FTE).	109,161	1,185

INTERNAL REVENUE SERVICE
Processing, Assistance and Management

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	4,033,000	42,350
FY 2004 RESCISSION (H.R. 2673)	-23,795	-18
FY 2004 PROPOSED AUTHORIZED LEVEL¹	4,009,205	42,332
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	34,668	-65
• Reductions, Non-Recurring Costs, and Savings.	-50,154	-720
• Reinvestment of Freed-Up Resources.	25,544	26
• Adjustments for Maintaining Current Levels.	106,105	---
• Program Annualizations.	23,035	208
TOTAL FY 2005 CHANGES.....	139,198	-551
FY 2005 PRESIDENT'S BUDGET	4,148,403	41,781

^{1/} Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

Program Changes: Funds are requested for: 1) restoring the IRS enforcement presence (\$40,688 and 45 FTE); 2) consolidation of the Kansas City campus (\$12,000 and 3 FTE); and 3) reducing overhead through implementation of an optimization study (-\$18,000 and -113 FTE).	34,668	-65
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): The IRS proposes to make resources available for reapplication through internal productivity growth and other savings in the PAM appropriation (-\$50,154 and -720 FTE).	-50,154	-720
Reinvestment of Freed-Up Resources: Savings generated through productivity gains, etc., will be reappplied: 1) to restore the IRS enforcement presence (\$9,077 and 0 FTE) and 2) to improve infrastructure and support (\$16,467 and 26 FTE).	25,544	26
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$28,029 and 0 FTE); 2) the proposed January 2005 pay raise (\$47,983 and 0 FTE); and 3) non-labor related items (\$30,093 and 0 FTE).	106,105	---

INTERNAL REVENUE SERVICE
Processing, Assistance and Management

	Amount (\$000s)	Direct FTE
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year (\$23,035 and 208 FTE).	23,035	208

INTERNAL REVENUE SERVICE
Tax Law Enforcement

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	4,196,000	49,266
FY 2004 RESCISSION (H.R. 2673)	-24,756	-119
FY 2004 PROPOSED AUTHORIZED LEVEL¹	4,171,244	49,147
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	169,010	1,827
• Reductions, Non-Recurring Costs, and Savings.	-27,603	-312
• Reinvestment of Freed-Up Resources.	49,909	450
• Adjustments for Maintaining Current Levels.	121,086	---
• Program Annualizations.	80,704	977
TOTAL FY 2005 CHANGES.....	393,106	2,942
FY 2005 PRESIDENT'S BUDGET	4,564,350	52,089

^{1/} Based on enactment of H.R. 2673

	Amount (\$000s)	Direct FTE
Highlights of FY 2005 Budget Changes		
Program Changes: Funds are requested for: 1) restoring the IRS enforcement presence (\$198,010 and 1,918 FTE) and 2) re-scoping the EITC program (-\$29,000 and -91 FTE).	169,010	1,827
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): The IRS proposes to make resources available for reapplication through internal productivity growth and other savings in the TLE appropriation (-\$27,603 and -312 FTE).	-27,603	-312
Reinvestment of Freed-Up Resources: Savings generated through productivity gains, etc., will be reapplied: 1) to restore the IRS enforcement presence (\$48,142 and 450 FTE) and 2) to improve infrastructure and support (\$1,767 and 0 FTE).	49,909	450
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$42,188 and 0 FTE); 2) the proposed January 2005 pay raise (\$72,235 and 0 FTE); and 3) non-labor related items (\$6,663 and 0 FTE).	121,086	---
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year (\$80,704 and 977 FTE).	80,704	977

INTERNAL REVENUE SERVICE
Information Systems

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	1,590,962	7,659
FY 2004 RESCISSION (H.R. 2673)	-9,387	-100
FY 2004 PROPOSED AUTHORIZED LEVEL¹	1,581,575	7,559
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	15,822	---
• Reductions, Non-Recurring Costs, and Savings.	-33,084	-410
• Reinvestment of Freed-Up Resources.	35,388	236
• Transfer Out.	-2,500	---
• Adjustments for Maintaining Current Levels.	39,145	---
• Program Annualizations.	5,422	---
TOTAL FY 2005 CHANGES.	60,193	-174
FY 2005 PRESIDENT'S BUDGET	1,641,768	7,385

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

Program Changes: Funds are requested to help restore the IRS enforcement presence (\$15,822 and 0 FTE).	15,822	---
Reductions, Non-Recurring Costs, and Savings (Re-Engineering): The IRS proposes to make resources available for reapplication through internal productivity growth and other savings in the IS appropriation (-\$33,084 and -410 FTE).	-33,084	-410
Reinvestment of Freed-Up Resources: Savings generated through productivity gains, etc., will be reapplied 1) to restore the IRS enforcement presence (\$3,490 and 0 FTE) and 2) to improve infrastructure and support (\$31,898 and 236 FTE).	35,388	236
Transfer Out: Transfer from IRS Detroit Computing Center to the Financial Crimes Enforcement Network (FinCEN) for maintenance of the Bank Secrecy Act Direct Systems (-\$2,500 and 0 FTE).	-2,500	---

INTERNAL REVENUE SERVICE
Information Systems

	Amount (\$000s)	Direct FTE
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$7,688 and 0 FTE); 2) the proposed January 2005 pay raise (\$13,162 and 0 FTE); and 3) non-labor related items (\$18,295 and 0 FTE).	39,145	---
Program Annualizations: Funds for completing the full-year cost and FTE realization of positions from prior year (\$5,422 and 0 FTE).	5,422	---

INTERNAL REVENUE SERVICE
Business Systems Modernization

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	390,000	---
FY 2004 RESCISSION (H.R. 2673)	-2,301	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	387,699	---
CHANGES PROPOSED FOR FY 2005		
• Program Changes.	-102,699	---
TOTAL FY 2005 CHANGES.	-102,699	---
FY 2005 PRESIDENT'S BUDGET	285,000	---

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

Program Changes: Funds were reduced to reflect a refocused business process reengineering effort to achieve BSM's goal of improving speed, timeliness and accuracy of IRS' interactions with taxpayers (-\$102,699 and 0 FTE).

Amount (\$000s)	Direct FTE
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-102,699	---
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INTERNAL REVENUE SERVICE
Health Insurance Tax Credit Administration

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	35,000	17
FY 2004 RESCISSION (H.R. 2673)	-206	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	34,794	17
CHANGES PROPOSED FOR FY 2005		
• Adjustments for Maintaining Current Levels.	47	---
TOTAL FY 2005 CHANGES.	47	---
FY 2005 PRESIDENT'S BUDGET	34,841	17

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

	Amount (\$000s)	Direct FTE
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$22 and 0 FTE) and 2) the proposed January 2005 pay raise (\$25 and 0 FTE).	47	---

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

	Amount (\$000s)	Direct FTE
FY 2004 CONSOLIDATED APPROPRIATION (H.R. 2673)	61,000	71
FY 2004 RESCISSION (H.R. 2673)	-360	---
FY 2004 PROPOSED AUTHORIZED LEVEL¹	60,640	71
CHANGES PROPOSED FOR FY 2005		
• Program Changes	-10,758	
• Reductions, Non-Recurring Costs, and Savings.	-3,974	---
• Reinvestment of Freed-Up Resources.	2,192	---
• Adjustments for Maintaining Current Levels.	303	---
TOTAL FY 2005 CHANGES.	-12,237	---
FY 2005 PRESIDENT'S BUDGET	48,403	71

1/ Based on enactment of H.R. 2673

Highlights of FY 2005 Budget Changes

Program Changes: The net program reduction reflects: 1) a program increase for the New Markets Tax Credit (\$299 and 0 FTE), and 2) base reductions to the CDFI Program (-\$5,148 and 0 FTE) and the Bank Enterprise Award Program (-5,909 and 0 FTE).	-10,758	
Reductions, Non-Recurring Costs, and Savings: Reduced funding for the Bank Enterprise Award Program reflects Program Assessment Rating Tool (PART) recommendations. A portion of the reduction will be utilized to fund an increase in program management costs for the New Markets Tax Credit Program.	-3,974	---
Reinvestment of Freed-Up Resources: Funds are redirected from the Bank Enterprise Award Program to support increased costs to administer the New Markets Tax Credit Program. This reallocation supports an independent evaluation of the seven-year, \$15 billion program.	2,192	---
Adjustments for Maintaining Current Levels: Funds are requested for: 1) FY 2005 cost of January 2004 pay increase (\$74 and 0 FTE); 2) the proposed January 2005 pay raise (\$108 and 0 FTE); and 3) non-labor related items such as contracts, travel, supplies, equipment, and GSA rent adjustments (\$121 and 0 FTE).	303	---

**HIGHLIGHTS OF
THE FY 2003
PERFORMANCE
AND
ACCOUNTABILITY
REPORT**

HIGHLIGHTS OF FY 2003 PERFORMANCE

New Treasury

Enactment of Public Law (P.L.) 107-296 resulted in the divestiture of the majority of Treasury's law enforcement bureaus and functions in FY 2003. Effective March 1, 2003, Treasury transferred the United States Customs Service (USCS), the Federal Law Enforcement Training Center (FLETC), the United States Secret Service (USSS), and certain Enforcement related functions in the Departmental Offices to the newly created Department of Homeland Security. Effective January 24, 2003, P.L. 107-296 also directed Treasury to establish a new bureau, the Alcohol and Tobacco Tax and Trade Bureau (TTB), to administer alcohol and tobacco laws and implementing regulations previously administered by Treasury's Bureau of Alcohol, Tobacco and Firearms (ATF). TTB also will administer the federal excise tax for firearms and ammunition. The remaining part of ATF has been transferred to the Department of Justice as the Bureau of Alcohol, Tobacco, Firearms and Explosives. In addition, Treasury established a new Executive Office of Terrorist Financing and Financial Crimes to oversee Treasury programs and policies that combat terrorist financing or target financial crimes.

New Strategic Goals and Strategic Objectives in our FY 2004 through FY 2008 Strategic Plan

<i>Mission Focus</i>	<i>Strategic Goals</i>	<i>Strategic Objectives</i>
<i>Economic (E)</i>	Promote prosperous U.S. and World economies (E1)	Stimulate Economic Growth and Job Creation (E1A) Provide a Flexible Legal and Regulatory Framework (E1B) Improve and Simplify the Tax Code (E1C)
	Promote stable U.S. and World economies (E2)	Increase Citizens Economic Security (E2A) Improve the Stability of the International Financial System (E2B)
<i>Financial (F)</i>	Preserve the Integrity of Financial Systems (F3)	Disrupt and Dismantle Financial Infrastructure of Terrorists, Drug Traffickers, and Other Criminals and Isolate Their Support Networks (F3A) Execute the Nation's Financial Sanctions Policies (F3B) Increase the Reliability of the U.S. Financial System (F3C)
	Manage the Government's Finances Effectively (F4)	Collect Federal Tax Revenue When Due Through a Fair and Uniform Application of the Law (F4A) Manage Federal Debt Effectively and Efficiently (F4B) Make Collections and Payments on Time and Accurately, Optimizing Use of Electronic Mechanisms (F4C) Optimize Cash Management and Effectively Administer the Government's Financial Systems (F4D)

Management (M)	Ensure Professionalism, Excellence, Integrity, and Accountability in the Management and Conduct of the Department of the Treasury (M5)	Protect the Integrity of the Department of the Treasury (M5A) Manage Treasury Resources Effectively to Accomplish the Mission and Provide Quality Customer Service (M5B)
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Despite this historic transfer of responsibilities and transfer of resources, Treasury made significant progress toward attaining our performance goals presented in Treasury's FY 2003 Annual Performance Plan. Treasury continues to work toward achieving its strategic goals and improving service to the American public.

The following summarizes Treasury's efforts in accomplishing its FY 2003 performance objectives by mission focus. More detailed information can be found in Treasury's 2003 Performance and Accountability Report.

Economic Focus: *Promote Prosperous and Stable American and World Economies*

The Secretary of the Treasury, as principal economic advisor to the President, formulates and recommends domestic and international economic, financial and tax policies.

Stimulating Economic Growth. In the area of domestic economic policies, Treasury played a key role in analyzing the macroeconomic effects of a series of policy proposals that led ultimately to the passage in May of the *Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) of 2003*. The Act helps households by accelerating previously passed tax relief, benefits businesses by increasing expensing, and improves efficiency in the allocation of capital by reducing the double-taxation of dividends. The effect of JGTRRA was almost immediate, with both consumption and investment appearing to strengthen markedly in the third quarter.

Reform of the International Financial Institutions and Agenda for Growth. The World Bank initiated a U.S.-led incentive program. Performance of the program resulted in an increase in U.S. contributions to the International Development Association of \$100 million. The completion of an Action Plan to improve stability in April 2003 helped establish clearer limits on funds from the International Monetary Fund and created more rigorous methods of debt analysis. In addition, the completion of a milestone agreement in September 2003, called the G-7 Agenda for Growth, calls on the G-7 countries to adopt pro-growth policies and create supply side benchmarking systems to monitor results. Finally, many countries took important steps to increase flexibility, raise productivity, and create jobs, including tax rate reduction in the U.S., higher money growth in Japan, and labor market and pension reform in Europe.

Reconstruction (Iraq and Afghanistan). The goal of helping to raise standards of living through establishment of a free market economy was perhaps nowhere more evident than in Treasury's work in Iraq and Afghanistan. In Iraq, Treasury saw success in several critical initiatives including facilitating payments to Iraqi workers and pensioners, introducing a stable national currency, restoring

and revitalizing the banking sector, developing a strategy for dealing with international debt, assessing reconstruction costs and supporting international fundraising efforts, and establishing a Trade Bank in order to facilitate imports and exports. In Afghanistan, Treasury efforts focused on rebuilding basic infrastructures, strengthening the central government and its budget processes, and laying the foundations for strong private sector growth. Among other achievements, the government approved a new investment law, cut export taxes to zero, and developed a “one-stop shopping” process for foreign investment.

Economic Growth in Industrialized Countries. The U.S. led a global recovery with trade and industrial production picking up across the world. The Calendar Year (CY) 2003 annual growth rate is expected to reach 3.2 percent on a global basis, up from 3.0 percent in CY 2002. While economic stability improved despite the uncertainty related to terrorism, there continue to be significant barriers to growth and stability in Europe, Asia, Latin America, and Africa as well as in international trade and financial systems. Treasury will continue its domestic and international efforts to remove rigidities and barriers that limit U.S. and global economic growth.

Developing and Transitional Economies. Current estimates for developing economies, indicate a composite annual growth of 5.0 percent in CY 2003, compared to a 4.6 percent growth rate in CY 2002. Similarly, growth rates overall for transition economies should reach 4.9 percent in CY 2003, compared to 4.2 percent growth rate in CY 2002.

Pension Reform. The Administration made strengthening the health of the defined benefit pension system and improving the retirement security of its participants a priority for FY 2003. Treasury Departmental Offices provided leadership in efforts to enact a suitable replacement for the interest rate on the 30-year Treasury bond as the discount rate for computing pension liabilities. Treasury’s proposal of a yield curve based on high-grade corporate bonds – now adopted as the Administration proposal – will make measured pension liabilities more reflective of the timing of future benefit payments.

Financial Focus: *Manage the Government’s Finances*

As the primary fiscal agent for the Federal Government, Treasury manages the nation’s finances through collecting money due to the U.S., making its payments, managing its borrowings, performing central accounting functions, and producing coins and currency sufficient to meet demand. The bulk of Treasury’s resources are devoted to collecting taxes. Treasury collects approximately 95 percent of total federal receipts.

Tax Collection. The following summarizes Internal Revenue Service’s (IRS) FY 2003 performance for its pre-filing and filing tax programs:

- ***Pre-Filing Programs.*** The cumulative FY 2003 Assistor Level of Service increased to 80 percent, up nearly 12 percent over FY 2002. Strategies and initiatives implemented in FY 2003 resulted in more callers receiving properly trained assistance more quickly, as evidenced by lower transfer rates, faster average speed of answer, and lower abandon rates. In addition, the IRS and Financial Management Service (FMS) successfully implemented the advanced payment of the child tax credit, which required the issuance of Advanced Child Tax Credit payments and associated notices to more than 23.7 million taxpayers who claimed a child tax credit on their 2002 income tax return. The IRS

also coordinated with the Armed Forces Tax Council and individual armed service branches to disseminate timely information regarding the impact of the Earned Income Tax Credit (EITC) law change on military personnel and their families. Approximately 400 thousand additional enlisted military personnel became potentially eligible for claiming EITC.

- **Filing Programs.** Taxpayers continue to shift from paper to electronic filing of their individual tax returns. In FY 2003, e-filed returns increased nearly 13 percent, to approximately 53 million while paper returns decreased roughly 7 percent, to approximately 78 million. Nearly 12 million taxpayers filed returns by home computer, an increase of nearly 27 percent from the prior year, including 2.78 million returns filed through Free File Alliance members. Approximately 44 million individual refunds were paid via direct deposit, 11.5 percent more than in 2002, resulting in quicker refunds to taxpayers and reduced postage and processing costs.
- **Post-Filing Programs.** The IRS increased emphasis on abusive tax avoidance transactions by examining more returns involving abusive corporate tax shelters, targeting promoters of abusive tax avoidance strategies, and reaching settlement with taxpayers on substantial tax shelter cases. Over \$75 million dollars in taxes were reported through Offshore Voluntary Compliance Initiative; approximately \$55 million has been collected; and over 400 promoters were identified. IRS achieved approximately 16 percent above its year-end plan for total investigations completed. Compliance exceeded the FY 2003 discretionary correspondence exam closure target of 246,000, a 48 percent increase over FY 2002. Field Examination closures for individual returns greater than \$100,000 exceeded the FY 2003 plan by more than 8 percent due to increased focus on high-income taxpayers and an increase in Direct Compliance Time. The Automated Collection System (ACS) closed more than 1.1 million Taxpayer Delinquent Accounts (TDAs), a 22 percent increase over FY 2002; increased dollars collected by 28 percent, reaching almost \$1 billion by September 30, 2003; and improved productivity by 20 percent. As of September 30, 2003, Field Collection closed 880,939 TDA modules, exceeding FY 2002 closures and FY 2003 target of 714,256. Earned Income Tax Credit dollars recommended for proposed deficiencies increased by 20 percent from FY 2002, amounting to \$541.6 million.

Issuing Payments. As an essential part of the U.S. economy, FMS issued over 920 million payments with a dollar value of approximately \$1.2 trillion to more than 100 million individuals and businesses. Making payments to American citizens accurately and on time is of considerable financial importance. FMS continues to expand the use of electronic media to deliver Federal payments in order to improve service to payment recipients and reduce federal program costs.

Government's Cash Management and Financial Reporting. Managing the Federal Government's cash flow with the most up-to-date and accurate information benefits the taxpayer by enabling Treasury to maximize investment earnings and minimize borrowing costs within established policy objectives. In FY 2003, Treasury reported the Federal Government's cash position, budget surplus, and deficit information on schedule and accurately in key Treasury publications, and issued *The Financial Report of the U.S. Government*, including the Federal Government's consolidated financial statements on time. In addition, Treasury worked to identify and institutionalize processes for developing effective forecasts in times of stability or situations involving policy change or economic uncertainty. Improvements to the accuracy, timeliness, and usefulness of the tax receipts forecasts enable Treasury to estimate daily tax receipts more precisely and minimize borrowing costs.

Government's Debt Management. Treasury strives to minimize the government's borrowing costs over time. Treasury aims to obtain low cost financing with a strategy that minimizes investor uncertainty associated with debt issuance by issuing debt in a regular pattern and in predictable quantities and by auctioning securities quickly and reliably. As the financing situation developed through FY 2003, Treasury successfully prepared the market for the additional debt issuance that we ultimately concluded would be needed. This new issuance included quarterly issuance of three-year notes, monthly issuance of five-year notes, and twice-quarterly issuance of ten-year notes. In addition, Treasury successfully educated investors about the importance of inflation-protection. Greater demand for inflation-protected securities reflected this success and allowed Treasury to increase issuance of inflation-indexed securities in FY 2003. Also, in FY 2003, Treasury reduced the time between auction closing and releasing auction results to two minutes, further reducing uncertainty that investors face when participating in Treasury auctions.

Law Enforcement Focus: *Safeguard Our Financial Systems*

Treasury plays a critical role in federal law enforcement efforts, helping foster a safer nation by combating terrorism, suppressing counterfeiting, fighting money laundering, and preventing financial crimes.

Reducing the Threat of Terrorism and Combating Financial Crimes. The Administration made the war on terrorist financing one of its key priorities for FY 2003. As a result of September 11th, the President issued Executive Order 13224, "Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit, or Support Terrorism." This Order directed the Secretary of Treasury, in consultation with the Departments of State, Justice, and Homeland Security, to implement the President's authority to systematically and strategically attack terrorists, terrorist organizations, and terrorist support networks.

Treasury developed a seven-part strategy to attack terrorist networks and prevent both the short and long-term effects of terrorist financing. The strategy focuses on: (1) targeted intelligence gathering, (2) freezing of terrorist-related assets, (3) law enforcement actions, (4) diplomatic efforts and outreach, (5) improved regulatory scrutiny and International Standard Setting, (6) outreach to the private sector, and (7) capacity building for other governments and the financial sector. Treasury made great strides in all seven areas to combat terrorist financing.

Through work in the Financial Action Task Force (FATF), Treasury plays a leading role in establishing strong international standards in the area of terrorist financing and money laundering, and ensuring the implementation of those standards worldwide. In addition, FATF continues its efforts to identify and take action against countries that are non-cooperative in the fight against money laundering, and launched a new initiative to work with donor countries to ensure that appropriate terrorist financing technical assistance flows to priority countries.

In the area of targeting and law enforcement actions, IRS Special Agents, along with other federal law enforcement agencies, executed search warrants on individuals charged with sending millions of dollars to Iraq for criminal purposes. In addition, the IRS and the Federal Bureau of Investigation (FBI) formed a partnership with the Saudi Arabian government and established a task force in Riyadh to investigate individuals suspected of funneling money to terrorist organizations. With the cooperation of the Saudis,

the task force analyzed bank accounts and other financial data already seized by the Saudis from prior investigations of terrorist incidents focusing on the financial aspects, especially those transactions that may involve charitable organizations. This agreement between the Departments of Treasury and Justice and the Saudi government is a historic and groundbreaking development in our governments' global efforts to track terrorist activity.

Economic Sanctions. Economic sanctions have been an effective weapon in depriving terrorists of access to the U.S. financial system and to advance other U.S. national security and foreign policy objectives. The Office of Foreign Assets Control (OFAC) currently administers and enforces 26 economic sanctions programs. Active enforcement of these programs is a crucial element in preserving and advancing U.S. foreign policy and national security. In addition, OFAC worked with the Department of Defense and the regional Commands to focus on the key nodes, or operational centers, of terrorist groups, in regional areas, and cripple entire organizations.

Expanding Regulatory Framework. Since passage of the USA PATRIOT Act in 2001, Treasury, the Financial Crimes Enforcement Network (FinCEN), the Department of Justice and the financial regulators have worked together to draft and issue extensive regulations that implement the Act's provisions. Among these regulations are rules to expand the universe of financial institutions required to report potentially suspicious activities to FinCEN, expand the basic money laundering framework to include a wide range of financial services providers outside of depository institutions, and close off U.S. borders to foreign shell banks.

Management Enabling Goal: *Continue to Build a Strong Institution*

Effectively meeting Treasury's programmatic goals requires strong and efficient management processes and administrative support. In addition, a focus on customer and employee satisfaction is key to implementing a balanced approach to our operations.

Performance Highlights. Treasury established 208 performance targets in FY 2003, of which 27 were either baseline targets or had no data available. Of the remaining 181 measures, Treasury achieved 132 of its targets, or 63.5 percent, and improved performance over FY 2002 for 39 measures.

Ensure Strong Financial Management of Treasury's Accounts. Treasury received an unqualified audit opinion on its FY 2003 financial statements, its third consecutive unqualified opinion. Equally significant, Treasury issued its FY 2003 Performance and Accountability Report on November 14, 2003, two and one-half months ahead of the Office of Management and Budget's deadline. Treasury attributes this success to several factors. During FY 2003, Treasury continued to refine its initiative to close the financial books within three days following the close of each month. This initiative provides strong support for the accelerated annual financial statement preparation and audit process, the preparation of quarterly financial statements and, more importantly, helps provide timely, accurate financial information for internal management.

Make Wise Capital Investments and Effectively Manage Treasury's Assets. Treasury's capital investment portfolio of over \$5.0 billion includes both bureau and Department-wide major projects. During FY 2003, Treasury continued and enhanced its standardized review and monitoring process for

all major projects. Treasury emphasized the following activities: making well-developed business cases (OMB Budget Exhibits 300); monitoring investments during the “control phase”; and demonstrating an improvement in the capital investment process.

Ensure Continuity of Treasury Operations. During FY 2003, Treasury made great strides in developing and implementing its Headquarters’ Continuity of Operations (COOP) capabilities. Treasury developed, vetted, and finalized the COOP and assisted Headquarters in the development of their individual COOP office. In addition, Treasury assisted each of its bureaus in the development and finalization of their COOP. In accordance with Federal Preparedness Circular 65 (FPC-65), *Federal Executive Branch Continuity of Operations*, Treasury developed and vetted the *essential functions* that must be performed by Treasury in the event of a national security emergency and identified Treasury personnel from Headquarters who will perform these *essential functions*. Those personnel make up the Treasury Headquarters COOP Team.

Treasury’s essential functions include protecting U.S. financial resources, preserving public and private financial institutions, maintaining an accounting and financial report system, and developing a plan for restoration of the economy. In accordance with Executive Order 12656, Treasury established a viable emergency management center as well as a secure facility outside the DC Metropolitan Area to ensure continuation of essential operations. In FY 2003, Treasury instituted a personal Safety and Health training and drill program, which included town hall meetings to discuss emergency preparedness for both work and home as well as Shelter-in-Place and Evacuation drills for employees.

ACHIEVEMENT OF THE PRESIDENT'S MANAGEMENT AGENDA (PMA)

PRESIDENT'S MANAGEMENT AGENDA

FY 2003 provided Treasury with significant management challenges and opportunities. The divestiture of Treasury's law enforcement bureaus presented Treasury with the opportunity to restructure and refocus its strategic goals and objectives through the five initiatives of the President's Management Agenda (PMA). Treasury developed and issued its new Strategic Plan, which will guide Treasury's efforts through FY 2008. Each of the five PMA initiatives links intricately to the new Strategic Plan. This new strategic vision, coupled with the efforts underway in the PMA, provides the mechanism and focus for continuous improvement throughout Treasury and its bureaus. Below is a summary of Treasury's accomplishments as well as planned activities for FY 2004.

PMA Progress Evaluation

Initiative	Status		Progress FY 2003				Progress FY 2004
	12/31/2002	12/31/2003	Q1	Q2	Q3	Q4	Q1
Strategic Management of Human Capital	R	R	G	G	G	Y	G
Competitive Sourcing	R	R	G	G	G	Y	G
Improved Financial Performance	R	R	G	G	Y	Y	Y
Expanded E-Government	R	R	Y	Y	G	Y	Y
Budget & Performance Integration	R	R	G	Y	Y	Y	G

■ **Green** for success ■ **Yellow** for mixed results ■ **Red** for unsatisfactory

<i>FY 2003 Accomplishments</i>	<i>FY 2004 and FY 2005 Proposed Actions</i>
<i>Strategic Management of Human Capital (HC)</i>	
Treasury made significant progress in the management of its human capital, especially in light of the divestiture of thirty percent of human resources staff to the Department of Homeland Security (DHS). To assure effective coordination and consistency of HC management among bureaus, Treasury appointed two top-level HC management officials to lead Treasury's HC Initiative. The Chief Human Capital Officer (CHCO) and the Deputy Assistant Secretary for Workforce Management lead Treasury's efforts under the HC initiative of the PMA.	
Treasury's HC Action Plan addresses the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) Standards for Success, and Treasury incorporated the HC Action Plan into its strategic planning and budgeting formulation and execution processes.	Headquarters will play more of a leadership role in building human capital best practices for bureaus to employ. The offices of the CHCO and the DAS – Workforce Management are leading Dept-wide efforts on a Human Capital Strategic Plan, workforce and succession planning, a diversity strategy, a new SES performance management system, and an accountability system, to name a few.

<i>FY 2003 Accomplishments</i>	<i>FY 2004 and FY 2005 Proposed Actions</i>
<p>Treasury Headquarters and the majority of its bureaus began modernization efforts designed to separate and streamline operations consistent with the PMA. The use of buyout and early out authority granted by OPM was and is a significant part of this process. In addition, Treasury Headquarters developed a workforce planning guide to assist the bureaus with their workforce modernization efforts.</p> <p>Treasury Headquarters developed workforce and succession planning guidance to ultimately assist bureaus with maintaining stability, closing talent gaps and developing leaders within the Department's executive cadre.</p> <p>Although challenged by the transfer of nearly 40,000 employees to the new DHS and by the loss of top headquarters leadership, Treasury made strides overall in its Human Capital Initiative. In particular, Treasury:</p> <ul style="list-style-type: none"> • Developed online Knowledge Transfer Inventory (KTI) to help maintain institutional knowledge as employees depart. • Initiated enterprise-wide, automated human resource systems covering nine bureaus and 96,000 employees; and • Developed an online workforce analytic tool for use by all Treasury managers. 	<p>A senior-level Treasury-wide core team is drafting a new Treasury Human Capital Strategic Plan. The final plan will be issued in June 2004 and will guide Treasury's Human Capital efforts across the Department.</p> <p>Treasury plans to continue implementing succession planning for key leadership positions at Headquarters. The Office of the CHCO is leading a cross-functional working group to develop a leadership development and succession planning model that will build a leadership talent pool.</p> <p>Treasury drafted and will implement a corporate diversity strategy that guides the Department's efforts to improve the representation of women and minorities. The strategy concentrates on four primary areas: recruitment, hiring, retention, and accountability. The outcomes are explicitly designed to link to the Department's mission.</p> <p>Treasury implemented changes to SES pay effective January 11, 2004, and plans to develop a new, agency-wide SES performance management system. Over the next several months, a cross-agency team will develop the new system and an implementation plan. Our goal is to gain OPM certification of our new performance management system by the beginning of the next performance cycle.</p> <p>Treasury will develop and implement a Department-wide System of Accountability by October 1, 2004 that will "ensure human capital decisions reflect a system of accountability that is results-driven and data-oriented."</p>
<i>Competitive Sourcing (CS)</i>	
<p>Treasury was a government leader in establishing CS through its online Fair Act tracking database, assistance in the redesign of OMB Circular A-76, and sponsorship of government-wide conferences to ensure a consistent message.</p> <p>Treasury's CS team also has been a leader in implementing this initiative. Treasury's CS team is in the process of developing and implementing a long-range competition plan that will enable Treasury to act strategically and tailor applications to its mission and workforce needs</p> <p>The plan will have a management component (addressing budget/IT/management concerns), an operations component (actions associated with the conduct of the studies) and a policy component (Treasury-wide initiatives that build on the success of the three-day close).</p> <p>Treasury also:</p> <ul style="list-style-type: none"> • Completed three full A-76 studies, its first-ever; • Completed streamlined competitions in most of our bureaus; 	<p>Treasury began the process of developing a CS component to each area of the PMA (i.e. using competitive sourcing to implement an E-Gov initiative) and expects to have a competitive sourcing action underway for each area by the end of 2004.</p> <p>Treasury will develop/implement a long-range plan to ensure that its competitive sourcing program is a carefully and regularly considered option for improving the cost-effectiveness and quality of its commercial operations.</p> <p>By the end of 2005, Treasury expects to have completed 2 Full A-76 studies in the Bureau of Engraving and Printing (Inkmakers/DC and Inkmakers Fort Worth) and an additional five full A-76 studies at IRS (Distribution Centers, Building Delegation, Campus Operations, Files, and Warehouse and Transportation</p>

<i>FY 2003 Accomplishments</i>	<i>FY 2004 and FY 2005 Proposed Actions</i>
<ul style="list-style-type: none"> • Seamlessly integrated the revised A-76 circular requirements; and • Increased coordination among all elements of the PMA. 	
<i>Improved Financial Performance</i>	
<p>Treasury maintained its government-wide lead in accelerated financial reporting by improving its three-day monthly close and successfully issuing its FY 2003 Performance and Accountability Report on November 14, 2003, two and one-half months ahead of the official deadline. The Department's consolidated financial statements included in Treasury's FY 2003 Performance and Accountability Report received an unqualified opinion. Further, the Treasury provided numerous presentations to other federal agencies to assist them in achieving an accelerated annual closing by November 15, 2004, as required by the Administration.</p> <p>Treasury achieved its financial performance goals associated with the PMA, and continues to provide this data online in a timely manner. Treasury made progress in integrating its financial systems and anticipates making significant progress during 2004 in integrating budget and performance reporting. However, Treasury will not achieve complete compliance with federal financial systems requirements until IRS completes its financial systems modernization efforts.</p> <p>IRS recently developed revised plans to reduce erroneous payments in the Earned Income Tax Credit program to address congressional concerns. Treasury anticipates improved progress in FY 2004 and future years. All other Treasury bureaus have a good track record in the erroneous payments area. Treasury finalized its guidance for implementation of the Improper Payments Improvement Act after piloting the proposed program with several bureaus, including the IRS.</p> <p>Treasury continues to make significant progress in reducing its material management control weaknesses. Treasury completed FY 2003 with nine material weaknesses compared to 20 at the beginning of the year.</p>	<p>Treasury remains committed to improving financial performance at the Department and throughout the Federal Government. A key priority is to ensure the routine consideration of financial and performance information during operational decision-making. Treasury will continue to fully support the PMA as it builds on its successes in FY 2004. Key 2004 goals for improving financial performance include:</p> <ul style="list-style-type: none"> • Reducing the inventory of material weaknesses from nine to six • Achieving substantial compliance with FISMA and all related system security requirements • Receiving an unqualified (clean) opinion on the Department's consolidated financial statements for a fifth consecutive year, and meeting OMB's accelerated reporting deadline for a third consecutive year. • Ensuring adequate progress by the IRS in implementing new administrative and business systems, and thus being able to meet the target date of September 2005 for closing the related material weakness • Achieving Department-wide compliance with the Improper Payments Information Act • Further integrating financial and performance reporting and streamlining the Performance and Accountability Report • Reducing the number of bureaus not in substantial compliance with the Federal Financial Management Improvement Act • Providing appropriate oversight to ensure that the material weaknesses tied to: 1) the government-wide Consolidated Financial Statement (FMS); 2) Measuring Taxpayer Compliance (IRS); and 3) the aforementioned Modernization Management (IRS) can be closed by the end of FY 2005.

<i>FY 2003 Accomplishments</i>	<i>FY 2004 and FY 2005 Proposed Actions</i>
<i>Expanded E-government</i>	
<p>In an effort to expand E-Government, Treasury placed an emphasis on the use of digital technologies to improve effectiveness, efficiency, and service delivery to both citizens and other public agencies, including initiatives such as the IRS' Free Filing and Expanded Electronic Products for Businesses. Treasury focused on high-priority modernization initiatives by continuing to integrate information technology (IT) strategic planning, enterprise architecture, IT capital planning, and security activities in the context of the overall planning and reporting activities of Treasury. The implementation of the new Treasury FY 2003-2008 Strategic Plan will ensure that the above areas are an integral part of our planning and reporting processes.</p> <p>Treasury established a governance structure to ensure that all its services and products are consistent with Treasury's strategic objectives. A new Technology Investment Review Board (TIRB) reviews and approves all Treasury IT investments and conducts monthly meetings to drive the Department's IT governance framework and compliance with OMB Circular A-11. Through the TIRB, Treasury will communicate and review procurement, project management and portfolio management requirements and hold bureaus accountable for performance that relates to project management objectives. It will institute a disciplined process for evaluating portfolio and project performance and controlling IT investments for major projects. It will ultimately improve the scores on the Department's OMB Exhibit 300s and institutionalize the long-term portfolio management activities of the Capital Planning and Investment Control Process (CPIC). As an indication of Treasury's forward movement, all business cases submitted to OMB this year as part of the FY 2005 budget process received passing scores from OMB.</p> <p>Through the CPIC, the Department will monitor projects to ensure they are within 10 percent of cost, schedule and performance objectives. For example, the IRS is in the midst of an aggressive remediation program for major systems investments to ensure all aspects of performance budget formulation. This resulted in greatly improved Exhibit 300 submissions that link major investments to a Strategic Plan, an Enterprise Architecture and performance measurements.</p> <p>During FY 2003, Treasury made some progress in the remediation of IT security weaknesses and conducted a Security Program review of all Treasury components.</p>	<p>Treasury will develop a plan to certify and accredit all operational systems lacking full accreditation. The plan will include the name of all systems without certification and accreditation, the start and completion date, and the resources needed to complete the certification and accreditation. Treasury expected quicker progress in achieving earlier certification and accreditation targets, but the IRS discovered more than 200 potential "systems" that required review. If they are indeed systems or major applications, they will need certification and accreditation.</p> <p>Furthermore, Treasury will work to strengthen its plan of action and milestones process in order to effectively identify, monitor, and complete corrective actions needed to resolve IT security weaknesses.</p> <p>Treasury continues to participate in all four categories of E-Gov projects. In addition, Treasury recently executed Interagency Agreements with the General Services Administration for the E-Authentication and Integrated Acquisition Environment and with Environmental Protection Agency for the e-Rulemaking initiative.</p> <p>Treasury will continue to pursue opportunities with expanded e-government. The following highlights some of our efforts:</p> <ul style="list-style-type: none"> • Develop a draft target architecture; • Refine the FY 2006 Information Resources Management Strategic Plan that identifies the link between the PMA, Treasury's business goals, and the basis for revisions to the Modernization blueprint; • Ensure proper reporting of all systems to determine which systems are/are not within 10 percent variation of cost and schedule; • Demonstrate consistent progress in the remediation of IT security weaknesses through a variety of methods, working directly with the bureaus to ensure that they understand the requirements of Federal Information Security Management Act (FISMA) and security in general; • Identify e-government applications, using the Enterprise Architecture project as a management enabling tool; • Establish a link to Regulations.gov by March 2004; • Begin to use Portfolio Management to track cost, schedule, and performance of projects and create a Portfolio Management Office within the Office of the Chief Information Officer to propose, review, evaluate, and recommend actions to the TIRB which will manage and promote Treasury's E-Gov efforts. • Starting in the first quarter of FY 2004, conduct quarterly control reviews for major projects.

<i>FY 2003 Accomplishments</i>	<i>FY 2004 and FY 2005 Proposed Actions</i>
<i>Budget and Performance Integration</i>	
<p>Treasury developed a new Treasury Strategic Plan for FY 2003 through 2008, which reflects the recent reorganization following the creation of the Department of Homeland Security. The Plan focuses on our core economic and financial mission and will seek to influence global financial and economic issues and promote global economic growth and stability.</p> <p>Treasury established a Strategic Management Process that links the Departmental, bureau and organization strategic and annual performance plans while gauging the level of success in accomplishing Treasury's goals and objectives.</p> <p>Treasury improved the alignment of bureau resources with Treasury's new strategic goals and objectives by conducting training sessions. The first use of this alignment appeared in Treasury's FY 2005 budget submission, which links bureau programs, resources, and performance to Treasury's strategic goals and objectives.</p> <p>Treasury issued guidance and implemented changes to enhance management's ability to use financial and performance information to make decisions.</p> <p>Treasury revised its performance reporting requirement from annually to quarterly to facilitate review and assessment of bureaus' key performance data.</p> <p>Treasury restructured some of its budget activities to better reflect the full cost of achieving results and established a performance budget that aligns its bureaus' programs and resources to its new strategic goals and objectives.</p>	<p>Treasury will continue to pursue opportunities to integrate financial and performance data.</p> <p>The Offices of Performance Budgeting and Deputy Chief Financial Officer will continue to integrate the financial management and performance measurement data. Treasury met with contractors to identify opportunities and assess the requirements needed to link Treasury's financial management system with its performance measurement system. The new system will collect timely and accurate information, perform meaningful data analysis, and disseminate the results.</p> <p>Treasury continues to work with the bureaus to develop a new budget structure for the FY 2006 budget cycle that shows full program costs by account and budget activity aligned to Treasury's new strategic goals and objectives.</p> <p>Treasury will provide bureau staff with training on how to develop new or improve on existing performance measures focused on outcome and efficiency program results for the FY 2006 budget cycle.</p>

**EVALUATIONS
UNDER THE
PROGRAM
ASSESSMENT
RATING TOOL
(PART)**

PROGRAM ASSESSMENT RATING TOOL (PART)

Evaluation of Treasury Programs

The goal of the PART is to evaluate program deficiencies, determine the causes for strong or weak performance, and take action to remedy deficiencies and achieve better results. OMB conducts the PART evaluations and recommends actions for program improvement. PART accomplishes this by a set of questions designed to assess program performance in four areas:

- **Purpose** – to assess whether the program design and purpose are clear and defensible.
- **Strategic Planning** – to assess whether the agency has set valid annual and long-term goals for the program.
- **Program Management** – to rate agency management of the program, including financial oversight and program improvement efforts.
- **Program Results** – to rate program performance on goals reviewed in the strategic planning sections and through other evaluations.

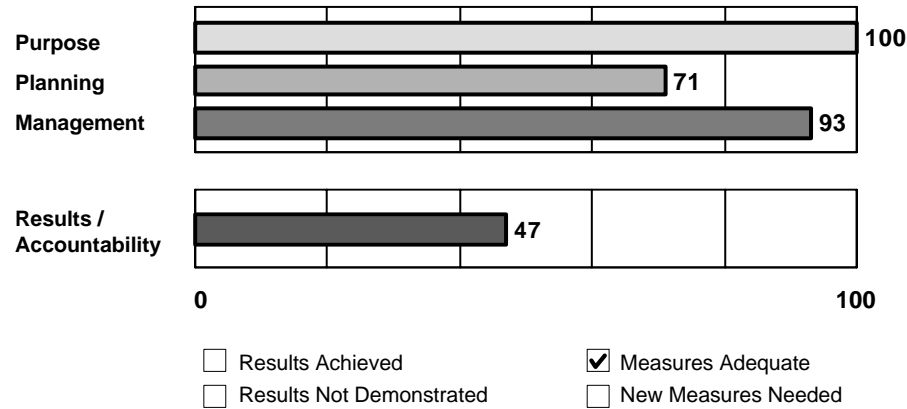
The tables presented in the following pages are OMB summary documents identifying Treasury programs that were PARTed in FY 2004 and 2005.

**EVALUATIONS UNDER THE
PROGRAM ASSESSMENT
RATING TOOL (PART)
FY 2004**

Program: ATF Consumer Product Safety Activities

Agency: Department of the Treasury

Bureau: Bureau of Alcohol, Tobacco and Firearms



Key Performance Measures

Year Target Actual

Long-term Measure: The percentage of Certificate of Label Approvals issued, by initiating electronic application and approval procedures (New measure for 2004)	2003	10%	
	2008	75%	
Long-term Measure: Measures under development			
Annual Measure: Measures under development			

***Rating:** Adequate

Program Type Regulatory

Program Summary:

This program protects the public against contaminated alcohol products. It does this by verifying the content of alcohol products and evaluating the claims on the product labels. Under the provisions of the Homeland Security Act of 2002, the consumer product safety activities and alcohol and tobacco excise tax collections of the ATF are being removed from the ATF and established as the Alcohol and Tobacco Tax and Trade Bureau in the Department of the Treasury.

The program assessment indicates the overall purpose of the program is clear, and the program has demonstrated results based on its historical performance measures. However, the current measures do not sufficiently capture the impact of the program's performance on public safety.

In response to these findings the Alcohol and Tobacco Tax and Trade Bureau will:

1. Refine performance measures to more accurately reflect the goals and achievements of the program.
2. Establish clear guidelines and procedures to insure that goals are very specific. Establish written guidelines and supporting documentation for all aspects of the program.

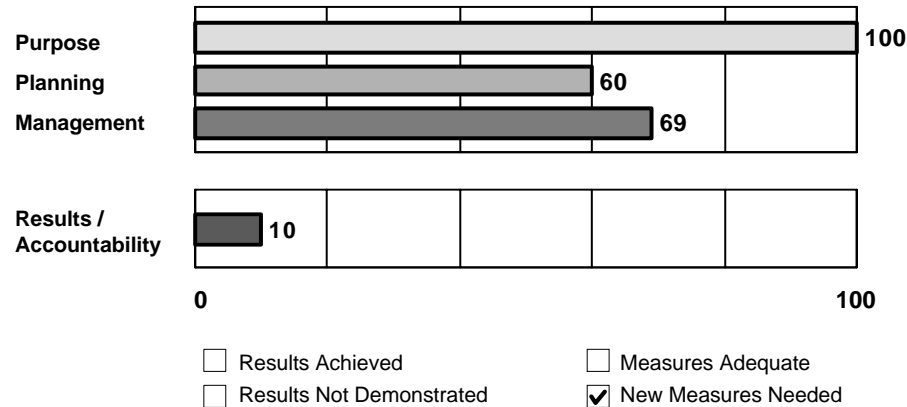
Program Funding Level (in millions of dollars)

* This assessment has not changed since publication in the 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: Earned Income Tax Credit (EITC) Compliance

Agency: Department of the Treasury

Bureau: Internal Revenue Service



Key Performance Measures

Year Target Actual

Long-term Measure: Percent of EITC dollars paid that should not have been paid This means that more than one dollar in four paid under EITC should not have been paid. (Targets under development)	1997		24 to 26%
	1999		27 to 32%
Annual Measure: Revenue protected, i.e., dollars incorrectly claimed by taxpayers that IRS either did not pay or later recovered (\$ in billions) (Targets under development)	2001		\$1.169
Annual Measure: EITC returns audited	2001		453,947
	2002	413,331	437,799
	2003	349,000	
	2004	364,000	

***Rating: Ineffective**

Program Type Direct Federal

Program Summary:

The Earned Income Tax Credit (EITC) Compliance Initiative is intended to reduce erroneous payments of the Earned Income Tax Credit. It is run by the Internal Revenue Service (IRS).

This assessment indicates the EITC compliance initiative has failed to reduce EITC erroneous payments to acceptable levels.

1. IRS has a strong planning process closely linked to its budget process, but it has not yet used this outcome information to set performance targets that allow it to demonstrate results.
2. While IRS prevents roughly \$1 billion in erroneous EITC payments per year, annual data reveals that 27 to 32 percent of all EITC payments were still made in error in tax year 1999. The magnitude of this error rate compels a rating of "ineffective."
3. IRS has made numerous management improvements in recent years. However, its financial management systems remain weak.

Treasury formed a Task Force in the spring of 2002 to recommend solutions to the EITC high error rate. The Budget provides a \$100 million increase for the following initiatives recommended by the Task Force to improve EITC compliance.

1. IRS will require high-risk EITC applicants to pre-certify that the children claimed on their return are really qualifying children under EITC. Incorrectly claimed qualifying children have been a major source of EITC error. High risk applicants will be identified through databases such as the Federal Case Registry (information on child custody) and by focusing on taxpayers with characteristics linked to high error rates in compliance studies (e.g., relatives other than parents who claim a child for EITC purposes).
2. IRS will delay refunds on returns deemed to be high risk for filing status or income errors while agents take action to resolve cases. High-risk returns will be identified by researching taxpayer historical compliance and by requiring new information on EITC returns.

Note these initiatives will reduce EITC audits as resources are focused on correcting errors earlier in the process.

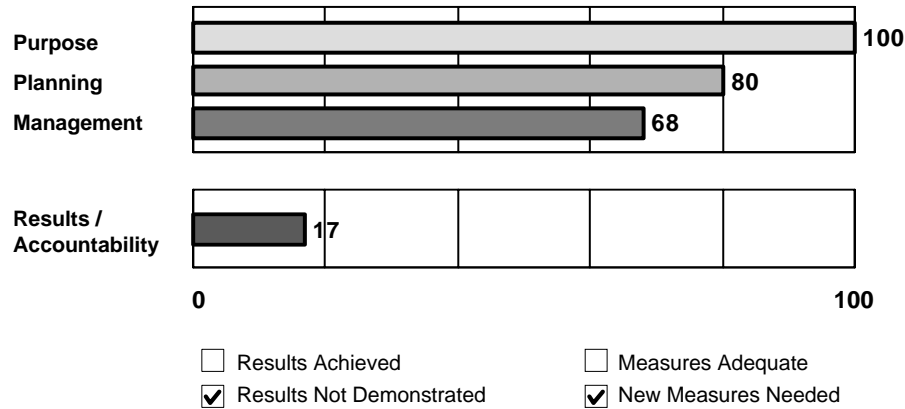
Program Funding Level (in millions of dollars)

* This assessment has not changed since publication in the 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: IRS Tax Collection

Agency: Department of the Treasury

Bureau: Internal Revenue Service



Key Performance Measures

	Year	Target	Actual
Long-term Measure: Measure under development			
Annual Measure: Taxpayer Delinquent Accounts case closures (field cases) These are cases where taxpayers have not paid known tax debts.	2001	846,800	757,392
	2002	804,085	724,430
	2003	714,000	
	2004	769,000	
Annual Measure: Field Collection Quality (Percent of cases meeting strict standards for process and treatment of taxpayers)	2001	86%	84%
	2002	85%	84%
	2003	87%	
	2004	89%	

***Rating:** Results Not Demonstrated

Program Type Direct Federal

Program Summary:

The Internal Revenue Service (IRS) Collection program collects known delinquent taxpayer liabilities (tax debts). This is distinct from IRS audits which determine how much a taxpayer owes. Collection agents contact taxpayers through notices, phone calls and personal visits to secure payments. If necessary, collection agents can use liens, levies or seizures, or refer taxpayers for criminal prosecution.

Tax revenue is necessary to finance government operations, and the Collection program is necessary to the success of tax enforcement. However, the assessment indicates that the Collection program needs improvements. Additional findings include:

1. Collection yields substantial revenue (\$18 billion in 2001). However, IRS does not work enough collection cases with its current resources, work processes and technology to ensure fair tax enforcement. Each year IRS fails to work billions of dollars worth of collection cases.
2. IRS has made numerous management improvements in the last several years, including implementing good output measures. However, it's financial management systems remain weak.
3. IRS has a strong planning process closely linked to its budget process. However, it has not yet developed collection outcome measures or goals.

The Administration is working on several efforts to improve collection performance.

1. The Budget includes a legislative proposal to allow IRS to hire private collection contractors to secure payment in some cases. The legislation includes strong taxpayer rights protections. The contractors will be paid from receipts based on actual collections.
2. The Budget includes funding for 537 new collection employees.
3. Reengineering and technology modernization efforts are ongoing to introduce risk-based approaches to target specific taxpayers with the most effective collection procedure (i.e., notice, phone call, or field visit).

(For more information on this program, please see the Department of the Treasury chapter in the Budget volume.)

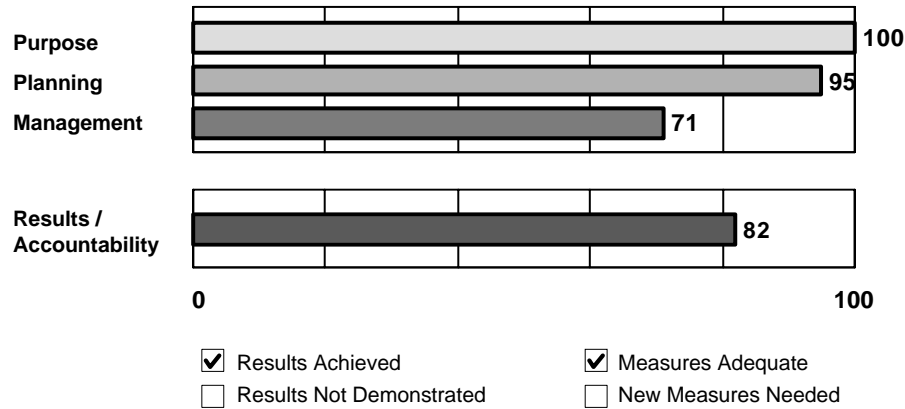
Program Funding Level (in millions of dollars)

* This assessment has not changed since publication in the 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: Coin Production

Agency: Department of the Treasury

Bureau: United States Mint



Key Performance Measures

Year Target Actual

Long-term Measure: Reduction in the controllable costs of circulating coinage from a 1997 baseline of \$10.27 per 1000 coins Controllable costs exclude the costs of metals which vary considerably with market conditions. (Targets being refined)	2001		19%
	2005	15%	
Long-term Measure: Federal Reserve Board Customer Satisfaction survey (Average rating out of one hundred, based on surveys of Federal Reserve officials)	2001	85%	
	2002	85%	
Long-term Measure: Conversion costs per 1,000 coin equivalents This measures production cost efficiency.	2002	\$11.00	\$8.69
	2003	\$10.25	
	2004	\$9.75	

***Rating:** Effective

Program Type Direct Federal

Program Summary:

The United States Mint makes coins for use as legal tender.

This assessment of the Mint found that the Mint has established performance measures focused on customer satisfaction and improving cost efficiencies.

Additional findings include:

1. The Mint needs to improve customer satisfaction survey scores.
2. The Mint has shown some efficiency improvements in achieving reduced manufacturing costs (19 percent reduction since 1997).

The Mint is implementing a series of reforms to address these findings. These reforms include:

1. Reducing the maintenance down time of coin manufacturing machinery.
2. Competing customer service and order mailing staff to determine if contractors could handle these functions more efficiently.
3. Establishing a performance target to reduce the time required to process raw materials into finished goods.

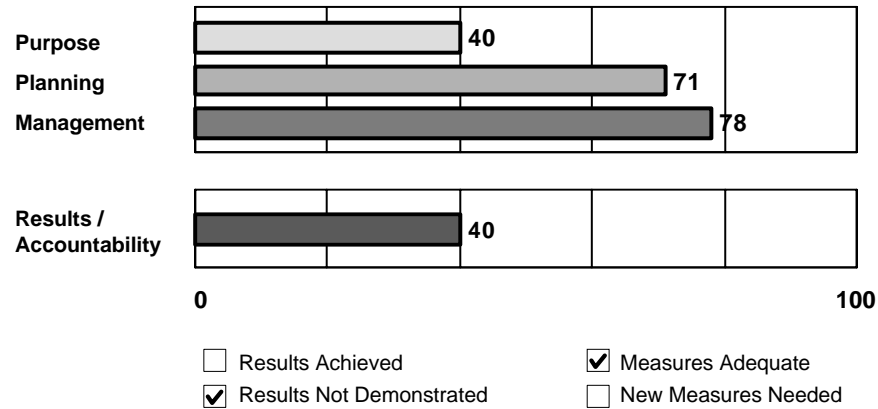
Program Funding Level (in millions of dollars)

* This assessment has not changed since publication in the 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: Bank Enterprise Award

Agency: Department of the Treasury

Bureau: Departmental Offices



Key Performance Measures

Year Target Actual

Long-term Measure: Jobs in underserved communities created or maintained by businesses financed by BEA Program applicants (New measure adopted in 2003)	2003	4,930	
	2004	4,930	
Long-term Measure: Commercial real-estate properties financed by BEA Program applicants that provide access to essential community products and services in underserved communities (New measure adopted in 2003)	2003	612	
	2004	612	
Annual Measure: Number of affordable housing units in underserved communities whose development or rehabilitation is financed by BEA Program applicants (New measure adopted in 2003)	2003	391	
	2004	391	

*Rating: Results Not Demonstrated

Program Type Competitive Grants

Program Summary:

The Bank Enterprise Awards (BEA) Program offers financial awards to banks that participate in community development activities. Such activities include supporting community development financial institutions, financing affordable housing and economic development projects, and the provision of financial services.

The assessment indicates that while there is some evidence that BEA awardees use awards to reinvest in community development initiatives, program results are hard to measure because it cannot be determined how awardees would behave in the absence of the program. Additional findings include:

1. The program purpose is clear, but design limitations hamper the program's effectiveness. Under the current structure, it cannot be determined if banks participate in community development activities because of regulatory requirements (under the Community Reinvestment Act) or because of the money provided by the awards program. Thus, the results of the program cannot be determined until the Fund collects additional data.
2. In the last year, the program has developed new outcome-oriented goals and has taken steps to collect additional data on program results. However, as the award is for past performance, there are no prospective performance requirements on how awardees spend award funds. This prevents the Fund from ensuring that program awardees commit to the long-term goals of the program.
3. The program is efficiently managed.

In response to these findings, the Budget proposes to:

1. Reduce the funding for the BEA until statutory changes to the authorizing legislation are made that would clearly distinguish this program from the mandates of the Community Reinvestment Act and would insure that award funds are spent on community development activities.

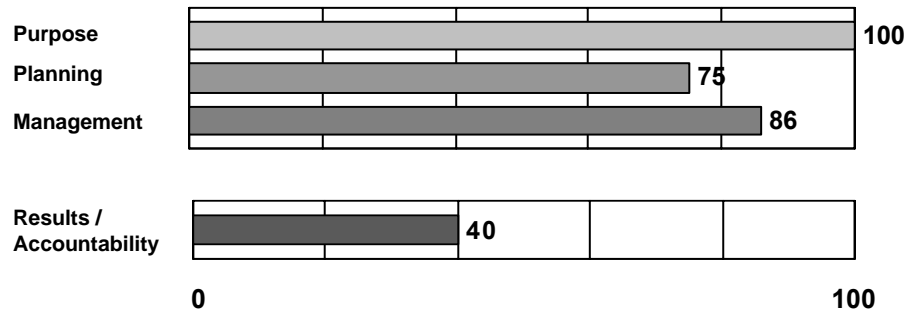
Program Funding Level (in millions of dollars)

* This assessment has not changed since publication in the 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: Treasury Technical Assistance

Agency: Department of the Treasury

Bureau:



Key Performance Measures

	Year	Target	Actual
Long-term Measure: Increase in GDP average of 15 representative countries in which OTA operates. Since OTA's long-term goal is to increase GDP, this measures OTA's impact in this area. The target number represents a percentage increase over the baseline.	2001	Baseline GDP	\$19.3 B
	2007	>2%	
Long-term Measure: Increase in Trade/GDP ratio. Since OTA's long-term goal is to increase trade as a percent of GDP, this measures OTA's impact in this area. The target number represents a percentage increase over the baseline.	2001	Baseline ratio	56.59%
	2007	>2%	
Annual Measure: Increase in total number of countries that publish Annual Budget in Brief (Citizen's Guide) each year. Publishing this document is a sign of a transparent budget process, which is one of OTA's short-term goals.	2003		3
	2004	4	
	2005	5	
	2006	6	

Rating: Adequate

Program Type: Direct Federal

Program Summary:

The Treasury Office of Technical Assistance (OTA) provides technical assistance to developing countries to help them reform the way they budget, tax, enforce financial laws, and manage government finances.

This second PART assessment of this program found that OTA has taken numerous steps to address strategic management deficiencies identified in last year's assessment. In particular, OTA has developed a new Project Management Tracking System (PMTS) that will require all of its teams to establish long-term and annual performance measures in support of OTA's goals. In addition, the PMTS will institute mid-year and annual reviews of programs to ensure progress on and adherence to OTA goals. These reviews will help determine whether OTA funding for specific projects will continue or be ended. Finally, for the 2005 Budget, OTA has established a few program-wide long-term measures. Additional findings include:

- OTA continues to score well for program design and management. Program managers closely collaborate with advisors implementing programs and with countries receiving assistance to ensure well-designed projects and effective use of funds.
- OTA continues to score low in the area of Results/Accountability due to the fact that it has only recently adopted a few adequate long-term and annual measures. Once more measures and targets are developed, and once OTA has established a track record of performance on these measures, the Administration expects its score in this area to improve considerably.
- OTA still needs to develop long-term and annual measures and targets for each of its teams that will contribute towards achieving and measuring program-wide goals.

In response to these findings, the Administration will continue to work with OTA as they implement PMTS and develop long-term and annual measures and targets across OTA.

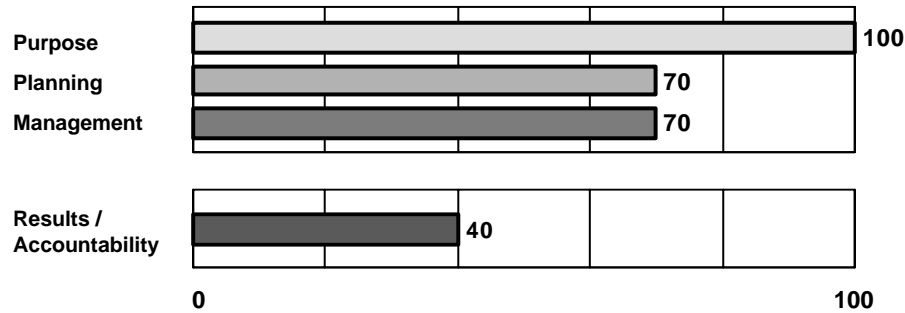
Program Funding Level (in millions of dollars)

2003 Actual	2004 Estimate	2005 Estimate
33	19	18

Program: Office of Foreign Assets Control (OFAC)

Agency: Department of the Treasury

Bureau: Departmental Offices



☐ Results Achieved

☒ Results Not Demonstrated

☐ Measures Adequate

☒ New Measures Needed

Key Performance Measures

Year Target Actual

Long-term Measure: Measures under development			
Annual Measure: Timely development of trade sanction programs (New measure, targets under development)			
Annual Measure: Compliance with US trade sanctions (New measure, targets under development)			

***Rating:** Results Not Demonstrated

Program Type Direct Federal

Program Summary:

Treasury's Office of Foreign Assets Control (OFAC) develops and enforces economic and trade sanctions against targeted foreign countries, terrorism sponsoring organizations and international narcotics traffickers. For instance, OFAC and our Allies were responsible for blocking over \$124 million in terrorist assets worldwide since September 2001.

The assessment indicates the overall purpose of the program is clear, but unit cost measures are lacking. Additional findings include:

1. OFAC lacks long-term performance goals with specific targets, which makes it difficult to determine whether or not outcome goals are achieved.
2. The program has not yet instituted annual performance goals to determine the effectiveness of OFAC sanctions.

The program is implementing a series of reforms designed to address these findings. These reforms include:

1. Developing long-term performance goals with specific timeframes and measures.
2. Adopting annual performance goals and aligning them with the long-term performance goals.

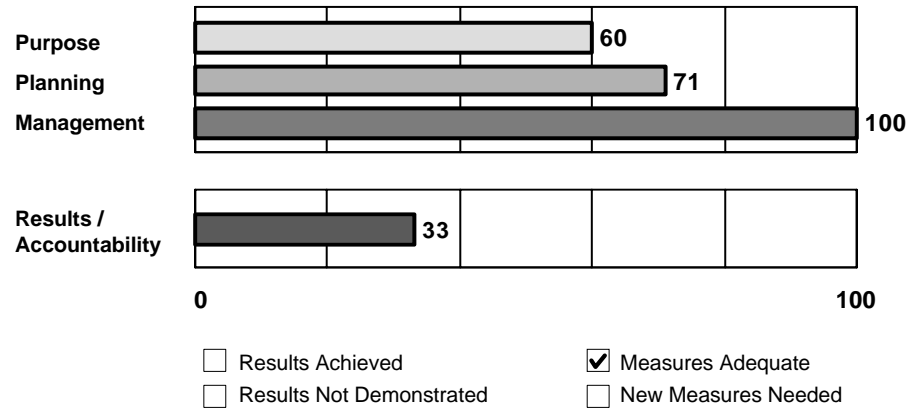
Program Funding Level (in millions of dollars)

* This assessment has not changed since publication in the 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: International Development Association

Agency: Department of the Treasury

Bureau: International Affairs



Key Performance Measures

Year Target Actual

Long-term Measure: Universal primary education (Ensure that by 2015 children everywhere will be able to complete a full course of primary schooling)	2015	100%	
Annual Performance Measure: Measles immunization rate (New measure) Indicator of progress in health	2002		58%
	2004	60%	
Annual Performance/Efficiency Measure: Reduction in number of days required for business start-up (New measure) Indicator of progress in private sector development	2002		81
	2004	75	

***Rating: Adequate**

Program Type Block / Formula Grants

Program Summary:

The International Development Association (IDA) is part of the World Bank. It provides both long-term zero-interest loans (so-called "concessional" lending) and grants to the poorest developing countries to finance investments in health, education, sanitation, and infrastructure.

The assessment primarily indicates that IDA lacks a system to measure, monitor, and evaluate overall results. Therefore, it is difficult to determine if IDA funding is having any measurable effect, and this difficulty is reflected in the Accountability/Results score. However, the recently concluded agreement to replenish the resources of IDA -- the IDA-13 replenishment agreement -- calls for the establishment of such a system. The agreement also identifies six pre-existing and widely-used indicators to serve as annual performance measures to track IDA's progress in health, education, and private sector development.

Additional findings include:

1. IDA is not the only provider of concessional lending. Other regional development banks have very similar programs.
2. The poorest developing countries should not borrow more money than they can afford to repay. IDA should provide more grants than it currently does.
3. The World Bank manages the IDA program well on a project-specific level. The successful establishment of the measurable results system will allow IDA to track its progress in meeting development objectives across the board.

In response to these findings:

1. By signing on to the IDA-13 replenishment agreement, the U.S. committed to provide \$850 million annually for the next three year (2003 through 2005). The Administration is also requesting \$27 million in 2004 to clear some of the \$73 million in arrears that the U.S. owes IDA.
2. The Administration will request an additional \$100 million for IDA in 2004 if IDA meets specific performance benchmarks and an additional \$200 million for IDA in 2005 if IDA makes satisfactory progress in the areas of health, education, and private sector development.
3. The Administration will continue to press IDA and other donors to increase the amount of grants that IDA provides.

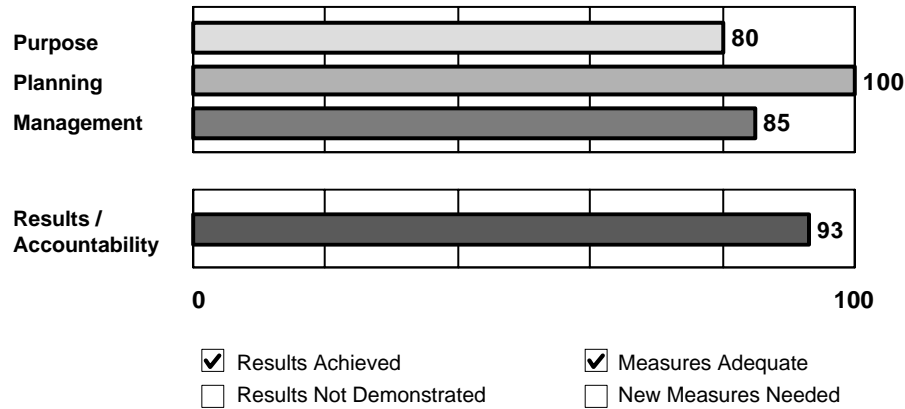
Program Funding Level (in millions of dollars)

* This assessment has not changed since publication in the 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: OCC Bank Supervision

Agency: Department of the Treasury

Bureau: Comptroller of the Currency



Key Performance Measures

	Year	Target	Actual
Long-term Measure: Percentage of National banks with high ratings according to industry standards (composite CAMELS rating of 1 or 2) (Performance measure was adopted in 2002)	2001	90%	94%
	2002	90%	95%
	2003	90%	
	2004	90%	
Annual Measure: Percent of problem banks rehabilitated, as measured by industry standards (Performance measure was adopted in 2002)	2001	40%	44%
	2002	40%	47%
	2003	40%	
	2004	40%	
Annual Measure: Percent of national banks that are well capitalized (Performance measure was adopted in 2002)	2001	95%	98%
	2002	95%	99%
	2003	95%	
	2004	95%	

***Rating:** Effective

Program Type Regulatory

Program Summary:

The Office of the Comptroller of the Currency (OCC) mission is to ensure a safe and sound and competitive national banking system. OCC charters and is the primary federal regulator of national banks. It is responsible for examining the financial records of banks and for maintaining the integrity of the Bank Insurance Fund (FDIC deposit insurance).

The assessment indicates that the program contributes to the safety and soundness of the banking industry. For example, a key performance indicator shows that more than 95% of banks regulated by the OCC have strong ratings in 2002 which incorporate measures for: capital, asset quality, management competence, earnings, liquidity, and sensitivity to market risk, commonly known as CAMELS. Additional findings include:

1. The program purpose is clear.
2. The program goals are outcome-oriented and program measurements are clear.
3. The program is efficiently and effectively managed.
4. The program is not unique in that other agencies, including the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA) and the Federal Reserve Bank (FRB), perform similar types of regulatory functions in the banking industry.

In response to these findings:

1. Federal banking regulatory agencies, including the OCC, the OTS, the NCUA, the Federal Reserve, and the FDIC, will work together to align outcome goals and related measures to allow for greater comparison of program performance in the industry.

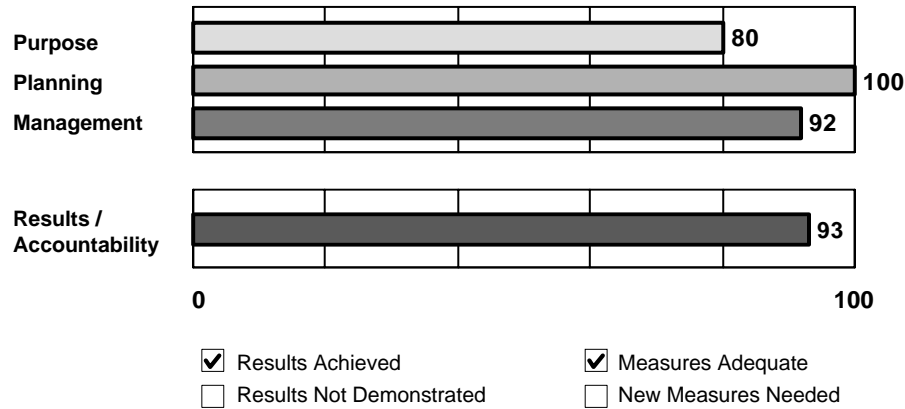
Program Funding Level (in millions of dollars)

* This assessment has not changed since publication in the 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

Program: OTS Thrift Supervision

Agency: Department of the Treasury

Bureau: Office of Thrift Supervision



Key Performance Measures

Year Target Actual

Long-term Measure: Percentage of thrifts with high ratings according to industry standards (composite CAMELS ratings of 1 or 2) (Performance measure was adopted in 2003)	2002	90%	90%
	2003	90%	
	2004	90%	
Long-term Measure: Thrifts with consumer compliance ratings of 1 or 2 (Performance measure was adopted in 2003)	2002	90%	92%
	2003	90%	
	2004	90%	
Annual Measure: Percent of thrifts that are well capitalized (Performance measure was adopted in 2003)	2002	95%	98%
	2003	95%	
	2004	95%	

***Rating:** Effective

Program Type Regulatory

Program Summary:

The Office of Thrift Supervision (OTS) charters, examines, supervises and regulates thrift institutions and savings associations.

The assessment indicates that the program contributes to the safety and soundness of the banking industry. For example, a key performance indicator shows that more than 90% of banks regulated by the OTS have strong ratings in 2002 which incorporates measures for: capital, asset quality, management competence, earnings, liquidity, and sensitivity to market risk, commonly known as CAMELS. Additional findings include:

1. The program purpose is clear.
2. The program recently developed new goals that are outcome-oriented and program measurements which are clear.
3. The program is efficiently and effectively managed.
4. The program is not unique in that other agencies, including the Office of Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA) and the Federal Reserve Bank (FRB), perform similar types of regulatory functions in the banking industry.

In response to these findings:

1. Federal banking regulatory agencies, including the OTS, the OCC, the NCUA, the Federal Reserve, and the FDIC, will work together to align outcome goals and related measures to allow for greater comparison of program performance in the industry.
2. The OTS will evaluate the efficiency and effectiveness of a single examination for both Safety and Soundness and Compliance functions.
3. The OTS will take steps to examine long-term systemic risks in the industry.

Program Funding Level (in millions of dollars)

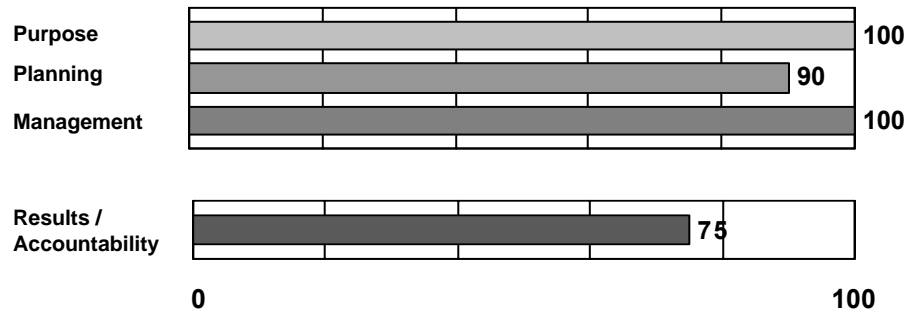
* This assessment has not changed since publication in the 2004 Budget. For updated program funding levels, see Data File - Funding, Scores, and Ratings.

**EVALUATIONS UNDER THE
PROGRAM ASSESSMENT
RATING TOOL (PART)
FY 2005**

Program: *Administering the Public Debt*

Agency: *Department of the Treasury*

Bureau: *Bureau of the Public Debt (BPD)*



Key Performance Measures

Year Target Actual

Long-term Efficiency Measure: Hold 50% of retail debt in TreasuryDirect (electronic-based system) by FY 2011.	2005	5%	
Annual Measure: Percentage of retail customer service transactions completed within: 4 weeks in 2001; 3 weeks in 2002 and 2003; and 13 days in 2004 and 2005.	2001	90%	95.8%
	2002	90%	98.3%
	2003	90%	
	2004	90%	
Annual Measure: Percent of auction results released in: one hour in 2001; 25 minutes in 2002; six minutes in 2003; and four minutes in 2004 and 2005.	2001	95%	100%
	2002	95%	99.5%
	2003	80%	
	2004	95%	

Rating: *Effective*

Program Type: *Direct Federal*

Program Summary:

The Bureau of Public Debt (BPD) is responsible for borrowing the money needed to operate the Federal government and accounting for the resulting debt. BPD is the only entity authorized to conduct borrowing to finance government agencies.

The assessment found that the program has a clear purpose and is well designed and managed. Additional preliminary findings suggest the program:

- Meets its annual performance goals and continues to improve targets for subsequent fiscal years; but
- Lacks long-term performance measures and targets.

In response to these findings, the BPD will:

1. Continue to improve annual performance targets;
2. Develop long-term performance measures and goals for inclusion in the 2005 budget; and
3. Set interim targets for long-term performance goals.

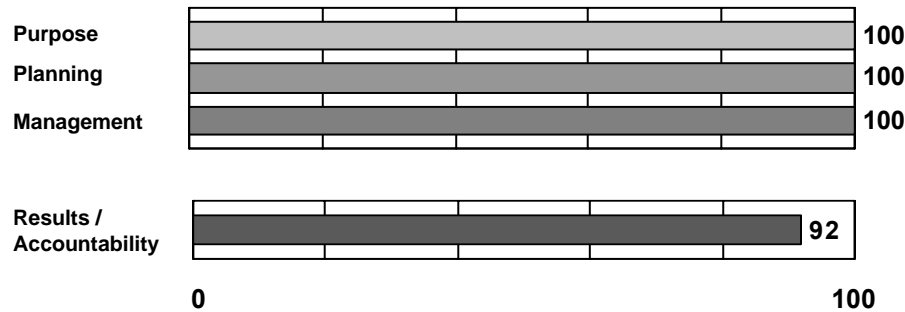
Program Funding Level (in millions of dollars)

<u>2003 Actual</u>	<u>2004 Estimate</u>	<u>2005 Estimate</u>
189	174	175

Program: *New Currency Manufacturing*

Agency: *Department of the Treasury*

Bureau: *Engraving & Printing*



Key Performance Measures

Year Target Actual

Annual Measure: Currency shipment discrepancies per million notes. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks.	2001	0.01	0
	2002	0.01	0
	2003	0.01	0
	2004	0.01	
Annual Measure: Manufacturing cost per 1,000 new design currency notes delivered (in dollars).	2001	\$31.50	\$31.31
	2002	\$35.75	\$34.91
	2003	\$37.40	\$37.04
	2004	\$42.00	
Annual Measure: Maintain ISO Certification. ISO Certification signifies that the certified organization follows a rigorous quality control program under stringent international standards.	2001	certified	certified
	2002	certified	certified
	2003	certified	certified
	2004	certified	

Rating: *Effective*

Program Type: *Direct Federal*

Program Summary:

The Bureau of Engraving and Printing's (BEP's) New Currency Manufacturing Program seeks to efficiently produce a safe and secure United States Currency.

The assessment found:

- BEP's New Currency program has a clear purpose, is well planned, and is managed effectively.
- BEP met the initial production and timeline goals of its New Currency program with the rollout of the new twenty dollar bill in 2003.
- BEP has adequate long-term targets and timeframes, including planned roll-outs of counterfeit deterrent features for use in future generation notes through the next 7 to 10 years.
- BEP met or exceeded its annual performance goals in 2002 and has sufficient internal financial and management controls.
- BEP needs to closely monitor efficiency measures during the rollout of new currencies in light of additional upfront capital and design costs.

In response to these findings:

1. BEP will closely monitor its design and overhead costs related to the manufacture of New Currency to ensure the most efficient production and distribution of future denominations.
2. BEP will continue working with Federal partners to assess the impact of New Currency on counterfeiting performance measures across government.

[BEP is a non-appropriated agency. The 2003 funding level for the New Currency program is significantly lower than 2004 and 2005 funding levels because the new twenty dollar bill was not in full production. The new twenty dollar bill was rolled out in October 2003.]

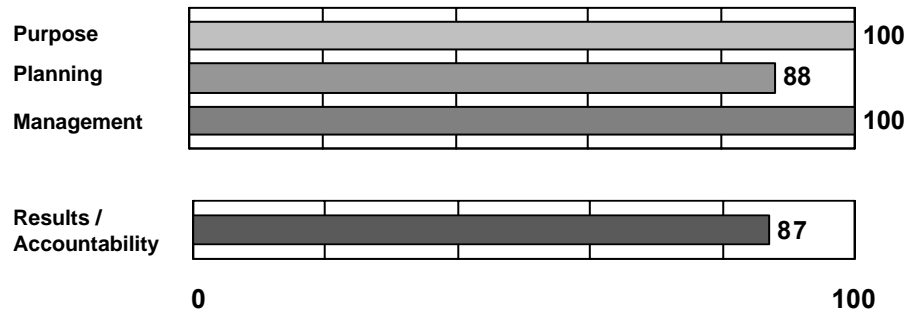
Program Funding Level (in millions of dollars)

<u>2003 Actual</u>	<u>2004 Estimate</u>	<u>2005 Estimate</u>
90	325	400

Program: Debt Collection

Agency: Department of the Treasury

Bureau: Financial Management Service (FMS)



Key Performance Measures

Key Performance Measures	Year	Target	Actual
Long-term Measure: By 2010, there will be \$3.5 billion collected annually from delinquent debt referrals.	2001	\$2.3 billion	\$2.7 billion
	2002	\$2.6 billion	\$2.84 billion
	2003	\$2.8 billion	\$3.10 billion
	2004	\$2.9 billion	
Annual Measure: Amount of delinquent debt collected through all available tools.	2001	\$2.3 billion	\$2.7 billion
	2002	\$2.6 billion	\$2.84 billion
	2003	\$2.8 billion	\$3.10 billion
	2004	\$2.9 billion	
Annual Efficiency Measure: Percentage of delinquent debt referred to FMS for collection compared to amount eligible for referral.	2001	75%	89%
	2002	75%	93%
	2003	85%	92%
	2004	90%	

Rating: Effective

Program Type: Direct Federal

Program Summary:

The Financial Management Service's Debt Collection program serves as the Government's central debt collection activity, managing the Government's non-tax delinquent debt portfolio. The program provides debt collection operation services to Federal agencies and States mainly through the Treasury Offset Program (matches Treasury payments against delinquent debtors and withholds or reduces payment to satisfy the debt) and the Cross-Servicing program (agencies refer 180-day old delinquent debt to Treasury for collection).

The assessment found that the program:

- Has a clear purpose, is well designed, and is well managed; and
- Meets and exceeds its annual performance targets.

However, the program also:

- Lacks a long-term performance measure that is ambitious; and
- Is in need of interim targets and planned actions to meet those targets for years beyond 2005.

In response to these findings, the Administration will:

1. Develop a more ambitious long-term performance measure;
2. Set interim targets and describe interim actions necessary to achieve the long-term performance measure;
3. Level fund the debt collection program for 2005; and
4. Propose legislation to increase and enhance debt collection opportunities.

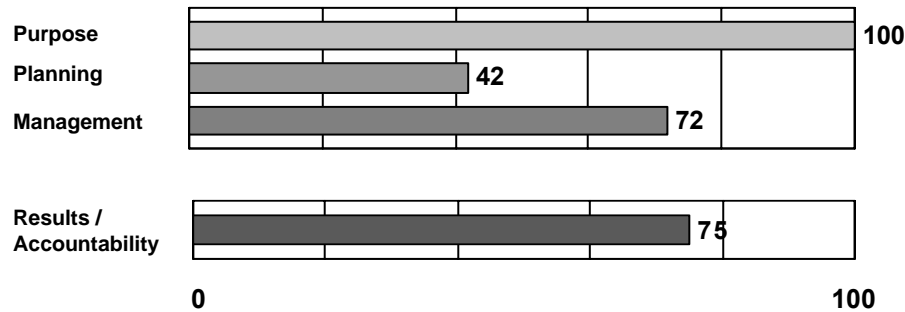
Program Funding Level (in millions of dollars)

<u>2003 Actual</u>	<u>2004 Estimate</u>	<u>2005 Estimate</u>
48	47	47

Program: *Submission Processing (SP)*

Agency: *Department of the Treasury*

Bureau: *Internal Revenue Service*



Key Performance Measures	Year	Target	Actual
Annual Measure: Percent of Individual 1040 Series Returns Processed Electronically	2001	31	30.8
	2002	36	35.6
	2003	40	40
	2004	45	
Annual Efficiency Measure: Individual Masterfile (IMF) Refund Timeliness (paper, percent issued in 40 days)	2001	96.1	95.2
	2002	98.4	98.2
	2003	98.4	98.9
	2004	98.4	
Annual Efficiency Measure: IMF Deposit Timeliness (interest dollars (millions) lost due to processing delays)	2001	747	748
	2002	751	578
	2003	573	552
	2004	527	

Rating: *Results Not Demonstrated*

Program Type: *Direct Federal*

Program Summary:

The Internal Revenue Service's Submissions Processing program receives, processes, edits, and records the data received from taxpayers that is necessary to calculate each taxpayer's liability. These data are received on paper or electronically. They include individual and business taxpayer returns as well as information returns submitted by businesses and government entities.

The assessment found that the program:

1. Successfully processes the forms it receives on schedule and within planned budgets.
2. Work plans, with detailed output measures, are closely monitored.
3. Increased reliance on electronic filing is reflected in savings associated with fewer resources needed for paper filing.
4. Internal planning includes planning for improvements necessary to allow increasing levels of electronically-filed forms and the closing of some paper-processing locations.

However, because the Service lacks a financial system that accurately calculates the full costs of program activities and because it has not developed outcome goals, this program is rated, "Results Not Demonstrated."

In response to these findings, the Internal Revenue Service will:

1. Develop appropriate short and long-term outcome goals for Submissions Processing.
2. Complete a successful implementation of the Integrated Financial Systems project, which will provide Submissions Processing with the data necessary to calculate accurate, complete unit cost measures.
3. Implement the Modernized E-File IT project to facilitate further e-file growth.
4. Identify further legislative or administrative initiatives to encourage e-filing growth (e.g., the Administration's proposal to extend the e-file due date).

Program Funding Level (in millions of dollars)

2003 Actual	2004 Estimate	2005 Estimate
721	726	734

**ANNUAL
FINANCIAL
MANAGEMENT
PERFORMANCE
PLAN**

FINANCIAL MANAGEMENT PERFORMANCE PLAN FISCAL YEAR (FY) 2005

OVERVIEW

Since the passage of the Chief Financial Officers (CFO) Act in 1990, the Department of the Treasury continues to make significant progress in improving its financial management. Treasury has incorporated its long-term financial management initiatives, which reflect the goals of the President's Management Agenda, into its Strategic Plan. The related performance results were reported in the Department's comprehensive FY 2003 Performance and Accountability Report. The following discussion constitutes the Office of Management and Budget (OMB) Circular A-11, Section 52, requirement for Information on Financial Management.

Treasury's financial management vision statement and performance strategies and goals are outlined below.

VISION STATEMENT

Building a strong institution that ensures sound financial management and stewardship of all Treasury accounts.

GOALS AND STRATEGIES

Improve Financial Accountability -- Develop the systems capability and accounting methodology to: (1) provide accurate, timely, and unqualified audit opinions on Departmental financial statements, and (2) achieve alignment of strategic plans, budgets, resources, and accounting data for all Treasury programs and activities. This will help Treasury to facilitate internal analysis, resolve known material weaknesses, prevent new material weaknesses, and enhance external financial statement reporting.

- Deliver the FY 2004 Performance and Accountability Report to the Congress and OMB by November 15, 2004 and maintain an unqualified audit opinion.
- Reduce the number of open material weaknesses and prevent new findings by performing various internal control activities.
- Integrate budget and performance data by implementing managerial cost accounting practices and aligning strategic plans, budgets, and accounting data.

Achievement of these performance targets will ensure the Department's full compliance with the accounting and auditing requirements of the CFO Act, the Government Management and Reform Act (GMRA) of 1994, and the Federal Managers' Financial Integrity Act (FMFIA). They will also support the Department's efforts to fulfill the goals of the President's Management Agenda. Treasury's credibility as the central financial agency for the Federal Government will also be enhanced upon the achievement of these targets.

Improve Financial Performance -- Achieve Federal Financial Management Improvement Act (FFMIA) compliant financial management systems with standardized core data elements and develop uniform financial management systems policies to enable all key Bureau financial data to be aggregated for improved analysis, reporting, and decision making.

- Complete the implementation of Treasury's Financial Analysis and Reporting System (FARS), which will provide bureau and Department managers with the information necessary to better manage Treasury's resources. Full implementation of FARS will include the addition of key performance data for access by Treasury bureaus and Departmental Offices.
- Work with Treasury bureaus in the selection and implementation of financial management systems (e.g., core financial, enterprise resource planning, administrative, etc.) that meet bureau business requirements and are consistent with government-wide and Departmental policies (e.g. systems security and FFMIA).
- Improve the quality of financial data submissions and maintain the timeliness of closing within three business days.

Completion of the above performance targets will position Treasury financial managers to develop a sound, efficient strategy and methodology for guiding the transition from stove piped to fully integrated financial systems. Not only will the accuracy, timeliness, and usefulness of financial data be improved by these efforts, the initiatives may also lead to more cost-effective cross-servicing systems arrangements among Treasury bureaus and/or across other federal agencies. These targets also support the President's Management Agenda.

PERFORMANCE PLAN SUMMARY

Performance against the two aforementioned strategies will be measured throughout FY 2004. The Treasury CFO Council will also use the information to refine the action plans for each of the identified performance goals.

SIGNIFICANT ACCOMPLISHMENTS

Several accomplishments took place in FY 2003 and the first three months of FY 2004. Some of the more significant ones include the following:

- Treasury received clean audit opinions on its FY 2002 and FY 2003 financial statements. The Department issued its FY 2002 Performance and Accountability Report (PAR) to OMB and Congress on November 15, 2002 and its FY 2003 PAR on November 14, 2003, representing an acceleration of three and a half months from FY 2001.
- The Department continued to close the monthly financial books by the third business day following the end of the month.
- The Department and bureaus continue to improve data quality in FARS by analyzing the monthly and quarterly financial statements. This analysis provided valuable benefits in ensuring the accuracy of financial information reported in FARS, and also enabled the Department to issue our audited financial statements by November 15, 2003.
- The Department successfully captured and reported information on the government-wide financial performance measures to OMB beginning with the data from the end of the second quarter in FY 2003. The Department is tracking most of the financial performance measures monthly and by bureau, even though the Department is only required to report the measures at the Treasury-level on a quarterly basis.
- Treasury developed a comprehensive website on its intranet to facilitate communication and exchange of information with the bureaus.
- The Department successfully transmitted both financial data and budgetary data to the FACTS I and FACTS II systems in FY 2003 using FARS. Treasury continues to be one of the earliest of the decentralized agencies to transmit its FACTS data, and does so using a Department-wide financial reporting system.
- The Department continued its progress in reducing material weaknesses. During FY 2003, Treasury's outstanding material weaknesses were reduced from 20 to 9. That is, with the divestiture of four law enforcement bureaus, Treasury's outstanding material weaknesses were reduced from 20 to 14. In addition, Treasury bureaus closed five material weaknesses, for a reduction from 14 to 9.
- Treasury's financial data warehouse, the Treasury Information Executive Repository (TIER), was replicated to provide support to the Department of Homeland Security. TIER will be used to develop the Department of Homeland Security's FY 2003 year-end statements and discussions are underway to continue support for FY 2004 and beyond.
- Treasury maintained and enhanced the new FAIR Act system to (a) capture key data in compliance with the FAIR Act, and (b) report that data in an automated format to the OMB.

- The Department developed and implemented its new Joint Audit Management Enterprise System (JAMES) to replace the old Inventory Tracking and Closure System. JAMES maintains the Department's inventory of audit findings and the status of planned corrective actions.
- Treasury bureaus made progress in their efforts to consolidate their financial management systems. The Office of Thrift Supervision moved from operating its own financial system to being cross-serviced through the Bureau of Public Debt's (BPD) Administrative Resource Center. Further consolidations of bureau financial systems are anticipated in FY 2004 as BPD begins to cross-service the Office of Inspector General and the Treasury Inspector General for Tax Administration.
- Treasury developed a program to minimize improper payments as required by the Improper Payments Improvement Act. This includes working with the IRS to develop a comprehensive plan to address Earned Income Tax Credit erroneous payments.
- Provided government-wide leadership in Competitive Sourcing. Treasury chaired a federal Competitive Sourcing Working Group to exchange best practices and identify impediments. The Working Group sponsored two extremely successful federal conferences on Competitive Sourcing that were attended by over 1,200 people.
- Provided federal leadership in implementing electronic commerce through chairmanship of the Federal Business Opportunities (FedBizOpps) Users Group and coordination of Central Contractor Registration (CCR) across Treasury and other agencies.
- Treasury received a prestigious award from the Small Business Administration, the Frances Perkins Vanguard Award, for exemplary utilization of women-owned small businesses. Treasury received this award for the second year.
- Treasury played a pivotal role in the establishment of the new Department of Homeland Security in FY 2003. Treasury transferred over \$10 billion in assets, \$6.2 billion in budget authority, and over 34,000 employees to the Departments of Homeland Security and Justice.

IMPEDIMENTS TO IMPROVING FINANCIAL PERFORMANCE

Reduce Erroneous Payments – The Department is managing this effort on two primary fronts. The first pertains to the IRS’s Earned Income Tax Credit (EITC) program and its long-standing, high rate of erroneous payments and overclaims. Several changes were made in the laws governing EITC for the 2002 tax-year, which should reduce erroneous payments. Additional improvements will be initiated in 2004 as part of an enhanced five-point plan.

The Department’s second approach to managing erroneous payments is to ensure that all Treasury bureau programs are reviewed systematically to identify possible sources of erroneous payments and take corrective actions as necessary. Through these and related actions, Treasury plans to achieve full compliance with the Improper Payments Information Act prior to the end of 2004.

Eliminate Material Weaknesses and Non-Conformances – By the end of FY 2002, the Department had reduced its 1998 baseline of 60 material weaknesses to 20 weaknesses. During FY 2003, Treasury’s outstanding material weaknesses were reduced from 20 to 9. That is, with the divestiture of four law enforcement bureaus, Treasury’s outstanding material weaknesses were reduced from 20 to 14. In addition, Treasury bureaus closed five material weaknesses, for a reduction from 14 to 9. Our remaining weaknesses are, for the most part, long-standing, complex problems that require significant time and effort to correct.

Clean Audit Opinion – The Department received clean audit opinions on its FY 2002 and FY 2003 financial statements. The financial statements were issued as part of Treasury’s FY 2002 and FY 2003 Performance and Accountability Reports (PAR). Despite this success, the remaining material weaknesses still represent impediments to achieving another unqualified opinion for FY 2004. Plans are in place to address these weaknesses. We continue to work closely with our audit partners, the Treasury Inspector General and the General Accounting Office, to ensure that our plans effectively compensate for our material weaknesses.

Financial Performance Measurements – Since May 2003, the Department has provided monthly and quarterly information on the eight financial management performance indicators to OMB. For FY 2004, Treasury will continue to work with the OMB and the CFO Council workgroup to refine these financial management performance indicators to enhance their usefulness and to develop additional meaningful financial indicators.

Accelerated Financial Reporting – The Three-Day Close Project, begun in April 2001, and other efforts taken to improve the reporting process resulted in Treasury (1) successfully completing the Department’s FY 2002 and FY 2003 audits with unqualified opinions, and (2) issuing the FY 2002 PAR by November 15, 2002, and the FY 2003 PAR by November 14, 2003. Treasury was the only cabinet-level agency that issued the FY 2002 PAR by November 15, 2002.

Integration of Budget, Performance, and Accounting Data – One of the Department's major challenges to improving financial performance is to achieve a higher level of integration of this budget, performance, and accounting data so as to provide timely, quality data for day-to-day management. Meeting this challenge also requires the development of managerial cost accounting capabilities. During FY 2004, the Department will work closely with its bureaus in addressing this challenge by defining Treasury guidelines for capturing and measuring the full cost of programs. The Department will also be working with the bureaus to better support Treasury's programs and operations with financial and performance information.

***PLAN FOR FINANCIAL MANAGEMENT SYSTEMS STRUCTURE
BUDGET YEAR 2005 BUDGET SUBMISSION***

OVERVIEW

The Department of the Treasury's financial management systems structure requires bureaus to maintain and/or utilize financial management systems to meet their business requirements and submit required financial and performance data to the Financial Analysis and Reporting System (FARS) in order to meet Departmental analysis and reporting requirements. This financial management systems structure is embodied in the Department's FARS. The FARS structure provides Treasury bureaus with the flexibility necessary to meet their unique business needs as well as the data standardization and integration tools needed to meet the Department's reporting and financial management analysis needs. The Department uses the FARS to produce its Performance and Accountability Report and ensure that it receives an unqualified audit opinion.

The Department's target FARS structure consists of bureau financial management systems, the Treasury Information Executive Repository (TIER) data warehouse, and the CFO Vision[™] on-line analytical processing (OLAP) tool. Bureaus submit summary-level financial data to TIER on a monthly basis, within three business days of the month-end. TIER provides users with a universal and comprehensive view of data that are standardized and consolidated. The TIER data is then loaded into CFO Vision[™], a commercial off-the-shelf (COTS) analytical tool, to perform analysis and generate financial statements and reports on both a Department-wide and bureau-level basis. This structure enables the Department to produce its quarterly and annual financial statements. The target systems structure includes the Performance Reporting System, which will enable the Department to more effectively integrate program performance and financial management.

Treasury will continue to utilize the FARS structure to meet the needs of the Department and its bureaus.

BASELINE

An Overview of Treasury's Current Departmental Financial Management Systems Structure

The following describes the FARS components referred to above (bureaus, TIER, CFO Vision[™]) as well as other FARS applications.

Bureaus

The Department's Inventory of Financial Management Systems reflects Treasury's current baseline of financial management and mixed systems. As of September 2003, the Department's Inventory of Financial Management Systems lists a total of 101 financial and mixed systems.

All Treasury bureaus currently use COTS software packages for their core financial systems. This includes American Management Systems' (AMS) Federal Financial System, AMS's Momentum, Oracle Federal Financial System, PeopleSoft Financial, and SAP R/3. These systems are Joint Financial Management Improvement Program (JFMIP)-compliant and are being implemented with minimal modifications.

A number of Treasury's bureaus and reporting entities are cross-serviced by other Treasury bureaus. This enables smaller bureaus to have access to core financial systems without having to maintain the necessary technical and systems architectures. For example, the Departmental Offices (DO), the Financial Management Service (FMS), the Office of Inspector General (OIG), the Office of Thrift Supervision (OTS), and the Treasury Inspector General for Tax Administration (TIGTA) are cross-serviced by the Bureau of the Public Debt (BPD). The U.S. Customs Service, now with the Department of Homeland Security, provides cross-service support to the Financial Crimes Enforcement Network (FinCEN). In addition, some Treasury reporting entities are cross serviced for other financial management services, such as electronic travel processing.

The Department

Treasury's Office of the Deputy Chief Financial Officer (DCFO) maintains financial management systems that consolidate data from all bureaus. These systems provide the capability to review data at both the Departmental and bureau levels. The DCFO systems are TIER, CFO Vision™, and the Joint Audit Management Enterprise System (JAMES). The Department also uses the Performance Reporting System (PRS) to track and report on bureau performance measurement indicators and the FAIR Act System to collect data for A-76 processing and reporting the inventory of commercial and governmental positions. These systems form the basis of FARS. FARS enhances the Department's capability to analyze its financial data, produce its consolidated financial statements, and support key financial management requirements.

In FY 2003, FARS was an essential tool in the transfer of three Treasury bureaus to the newly-created Department of Homeland Security (DHS). DHS loaded its key financial data into Treasury's FARS, enabling DHS to generate its fiscal year 2003 consolidated financial statements. These statements will be subject to audit by DHS's auditors. Treasury and DHS will establish a reimbursable agreement to continue this arrangement in FY 2004.

Below is a description of the FARS applications:

Treasury Information Executive Repository (TIER)

The Department maintains TIER to meet Departmental consolidation, analysis, and reporting needs. TIER is a Departmental data warehouse, which receives summary level financial data from bureaus and other reporting entities. On a monthly basis, Treasury bureaus and reporting entities extract summary financial data from their respective core financial management systems and transmit those data to TIER. TIER performs automated data validation and edit checks on the bureau data, ensuring that TIER data meet Departmental and government-wide data standards. Both Departmental and bureau users are able to generate financial management reports using TIER.

TIER is one of the primary elements of Treasury's Department-wide financial systems integration and standardization strategy. TIER, developed in 1994, consolidates summary financial data from all Treasury bureaus. TIER was a significant factor in the Office of Inspector General's (OIG) 1995

decision to recommend that the Department be removed from the Office of Management and Budget's (OMB) High Risk List for "lack of effective management oversight of systems development activities." TIER contains the structured data necessary to prepare annual audited consolidated financial statements required by the Government Management Reform Act (GMRA) of 1994 (Public Law 103-356).

The Department has made significant progress during the past several years in working with bureaus to improve the quality and the comprehensiveness of the data submitted to TIER. Treasury developed a plan for collecting the data elements needed for its consolidated financial statements. New data element requirements were implemented to collect additional financial data and bureaus have completed modifying their core financial systems to provide these additional data elements to TIER. Additional data validation edits were added to TIER to ensure that the data meets Departmental and government-wide standards. In FY 2000, the Department was able to submit FACTS II budgetary data to FMS through a host to host transfer to the Financial Management Service. Beginning in FY 2002, all available FACTS II data has been successfully transferred to FMS via TIER.

Departmental staff review and analyze the quality of data submitted by the bureaus and report the results of these analyses to the bureaus at both the executive level, through the Treasury Chief Financial Officers Council (TCFOC), and the staff level. Analysts in the Office of the DCFO work continually with bureau staff to clarify new and existing TIER data standards. Some of this analysis has prompted the Department to implement additional data validation edits in TIER, which will help to further improve the quality of the data transmitted to TIER. Using the TIER data, the Department produces its financial statements, on a monthly, quarterly, and annual basis using the TIER data and CFO Vision[™]. As a result of this effort, Treasury issued timely its FY 2003 consolidated financial statements on November 14, 2003.

CFO Vision[™]

The CFO Vision[™] component of FARS is used to analyze and report on Treasury's proprietary and budgetary financial data. The monthly financial data transmitted to TIER is consolidated and validated through extensive TIER edits. The data is extracted to CFO Vision[™] to be processed for analyses and *ad hoc* management reports, as well as to produce the Department's consolidated financial statements.

The Department is working with the CFO Vision[™] vendor to fully web-enable the system, making it available to Treasury bureaus via TreasNet. The upgraded system will provide users with greater functionality and improved reporting and analysis capabilities.

The Joint Audit Management Enterprise System (JAMES)

JAMES is an essential tool in the Department's compliance with the Federal Managers' Financial Integrity Act (FMFIA) of 1982 (Public Law 97-255) and the Inspector General Act Amendments of 1988 (Public Law 100-504). The JAMES provides support in the Department's efforts to enforce and improve management controls and address audit findings, many of which have potential monetary benefits.

JAMES is a Department-wide, interactive, real-time system that includes key information on audit reports issued by Treasury's Office of the Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), and the General Accounting Office (GAO). It is a web-based system and

is available to authorized users via the TreasNet. The system was released into production in January 2003. System users can track information on audit reports from the date of issuance through the completion of all action items. In addition, bureaus enter Federal Financial Management Improvement Act (FFMIA) remediation plan remedies and interim due dates into JAMES.

Data on audit findings, recommendations, and bureau planned corrective actions for implementing the recommendations are input into JAMES. Bureau users can also update the current status of those corrective actions on a continuing basis.

Performance Reporting System (PRS)

Treasury revised its performance reporting requirement from annual to quarterly to facilitate review and assessment of bureaus' key performance data. In addition, many bureaus and organizations identified ways to refine their internal processes to collect, analyze, and report their performance information and developed new and/or enhanced their existing performance goals and measures to better assess long- and short-term results. These efforts will ultimately provide Treasury senior management with prompt financial and performance information necessary to make decisions.

FAIR ACT Automated Data Collection System

The Office of the Procurement (OP) successfully submitted Treasury's consolidated annual inventory report to the Office of Management and Budget using the FAIR Act System. Using the system has resulted in a more effective and efficient process for collecting the data and submitting it to OMB.

Implementation of Department-wide Systems

Treasury, working in partnership with its bureaus to migrate toward single, common systems, has designed, developed, and implemented a new automated human resources (HR) system based on a suite of COTS products, the PeopleSoft Human Resources Management System, driven by business requirements established by the bureaus.

The new Treasury HR system, *HR Connect*, will replace the majority of the current configurations of legacy HR systems used throughout the bureaus. The Department found that, not only are these outdated legacy systems expensive to use and maintain, but generally they use inefficient processes that often require redundant data entry, do not consistently provide timely or accurate information, and are difficult to use. By implementing HR Connect, a common, single integrated system, Treasury bureaus will reduce paperwork, improve tracking and accountability, streamline processes, and have better data for management decision-making. Also, with the web self-service features, managers are able to view information on employees and positions in their organization, initiate and route personnel actions through electronic workflow, search on a library of standard position descriptions, and access various reporting and workforce analytical tools. Employees can view and update a wealth of personal information on-line, search for job openings, and manage an on-line resume. In addition, the new system will support strategic HR services, such as succession planning, career development, and staffing alternatives.

Over the past five years, seven of the nine current Treasury bureaus—as well as the OIG and the TIGTA—have deployed HR Connect to automate their processing of Personnel Action Requests (PAR): the SF 50 Notification of Personnel Action and the SF 52 Request for Personnel Action, including significant manager and employee self-service functionality. The IRS began a phased implementation of HR Connect in FY 2003. Both IRS and OTS are scheduled to complete their implementations by the end of FY 2004.

With the use of HR Connect, and by replacing multiple legacy personnel systems, Treasury will be able to achieve cost savings in systems operation and maintenance, improve the productivity of HR and other administrative staff, as well as by reducing costs for recruitment and turnover.

Federal Financial Management Improvement Act Remediation Plans

Based on the FY 2003 financial statement audits, two Treasury bureaus were found to be not in substantial compliance with the Federal Financial Management Improvement Act of 1996: the Internal Revenue Service and Financial Management Service.

In accordance with Section 803 (c)(3)(A) of the FFMIA, the non-compliant bureaus prepared Remediation Plans to bring their systems into substantial compliance. The two remaining Treasury bureaus continue to work according to their plans in order to achieve compliance with the FFMIA. Bureaus report on the status of their FFMIA compliance efforts to the Department's DCFO organization on a quarterly basis. These remediation plans are then submitted to the Office of Management and Budget (OMB) for review. As a result of the magnitude of the remedies to correct these non-conformances, the Department is working with OMB to ensure compliance with the terms of the Act. OMB has granted a waiver to the IRS to the requirement to complete its remediation plan within three years. As appropriate, a quarterly meeting is held with OMB to review the status of the IRS plan.

TARGET STRUCTURE

Treasury's target financial management systems structure will build upon the current FARS foundation. FARS is a critical element of the Department's enterprise target structure. As a result of the Department's progress in implementing the CFO Vision[™] software, Treasury's FARS structure now serves as both the baseline and the target enterprise financial management systems structure.

FARS is collecting a variety of financial management data, currently the proprietary and budgetary accounting data. FARS includes the following components:

- (1) bureau core financial systems that feed summary financial data to the Department;
- (2) the Treasury Information Executive Repository (TIER), a financial data warehouse containing summarized and consolidated financial data; and
- (3) CFO Vision[™], a COTS on-line analytical processing (OLAP) decision support tool, which is used for financial analysis and reporting.

In the FARS structure, bureaus continue to maintain their own financial management systems. Bureaus and other reporting entities submit monthly summary data to the central data warehouse, TIER, for consolidation, data validation, and other edit checks. From TIER, the data is exported to CFO Vision[™] for analysis and reporting.

In the long term, as FARS is expanded to collect additional financial data, it may be necessary to implement additional OLAP decision support tools to satisfy management's informational needs. While CFO Vision™ is used to produce the Department's consolidated financial statements and analyze budget and accounting data, additional COTS packages may be used for managerial cost accounting, integrating budget and performance measurement, and other management information requirements as identified. The FARS tools will perform analyses, generate reports based on the consolidated Departmental data in the financial data warehouse, and provide drill-down capabilities for analysis of financial data.

Beginning in FY 2002, bureaus and other reporting entities began entering data to FARS via the Treasury-wide Intranet. FARS is based on ORACLE databases; those databases migrated from the Department's VAX cluster to Windows NT servers. FARS uses graphical user interfaces as well as state-of-the-art decision support tools to administer the system and develop forms and reports.

The Department's target enterprise financial management systems structure does not call for a single Treasury-wide financial management system. Rather, the structure balances the need to accommodate the unique data requirements of the bureaus with the Department's need for standardized, consolidated Treasury-wide data.

The Federal Government's electronic-travel (eTravel) initiative took a step forward when the General Services Administration selected two travel vendors to provide end-to-end travel management solutions. In order to facilitate a smooth transition to eTravel, the Department selected a project manager for the Treasury eTravel Project Team from the Bureau of Public Debt. Currently, over 27 agencies/organizations (many in Treasury) are being cross-served for travel by BPD. Depending on what is required to be transitioned to the eTravel vendors – BPD will comply and will handle the transition for their customers.

PROJECTS REQUIRED TO MOVE FROM BASELINE TO TARGET

The following is a list of systems-related projects that are essential to implementing the FARS target financial management systems structure.

FARS Implementation Project

FARS, utilizing the summary financial data submitted by the bureaus, generates the following combined and consolidated financial statements, in accordance with OMB's Form and Content bulletin:

- Consolidated Balance Sheet
- Consolidated Statement of Custodial Activity
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Combined Statement of Financing
- Consolidated Statement of Net Cost

In addition to producing the financial statements, FARS provides Departmental and bureau financial managers with the capability to produce *ad hoc* reports for internal management reporting.

TIER

TIER plays an important role in producing the Department's consolidated financial statements by serving as a data warehouse for bureau financial data. The TIER data is extracted to CFO Vision™ for the actual production of financial statements. The Department used the TIER data to prepare its FY 2003 Treasury Accountability Report. The bureau data will be edited to ensure it meets both Department-wide and government-wide requirements.

TIER plays another important role in financial reporting by transmitting financial data to the Federal Agency Centralized Trial-Balance System (FACTS) on behalf of Treasury bureaus. This includes both the FACTS I and FACTS II submissions. As a result of this centralized submission, the bureaus' financial data will agree with the data amounts reported in both the Department's Accountability Report and Federal Government's financial statement.

CFO Vision™

CFO Vision™ is a commercial-off-the-shelf analysis and reporting tool. It is fully implemented and available on the Departmental Office's website (DoNet). Since FY 2000, Treasury has used CFO Vision™ to produce its audited financial statements and accountability report. Treasury has received an unqualified audit opinion since that time.

The Department plans to upgrade the system, making it available to all bureaus via the Treasury Intranet (TreasNet) with enhanced capabilities. It is anticipated that the upgraded system will be available during calendar year 2004. With the full implementation of this vendor release, the bureaus will be able to access CFO Vision™ data and generate financial management reports. The bureaus will also be able to generate output reports using Microsoft Excel spreadsheets.

Joint Audit Management Enterprise System (JAMES)

The Department implemented JAMES in January 2003, and it is available to Treasury bureaus via the Treasury Intranet site (TreasNet). The Department is continuing to enhance the JAMES to improve performance. This will provide improved workflow and enhanced reporting capabilities.

Performance Reporting System

Treasury issued guidance and implemented changes to enhance management's ability to use financial and performance information to make decisions. In the summer 2003, Treasury established a new requirement to collect and monitor bureaus' performance data quarterly. Treasury is continuing to pursue opportunities to integrate financial and performance data. Currently, Departmental management and Treasury bureaus are conducting an analysis of the data and systems that bureaus use to manage their programs and operations. Based on the findings of this analysis, Treasury will initiate a Department-wide effort to better support Treasury's programs and operations with financial and performance information.

GRANTS MANAGEMENT

OVERVIEW

Tasked with responsibility for managing much of the Federal Government's finances, the Department of the Treasury administers grant programs in accordance with government-wide requirements. The majority of Treasury's grant funds are administered by the Community Development Financial Institution (CDFI) Program. Smaller amounts are managed by the Internal Revenue Service (IRS).

GRANT PROGRAMS AND IMPLEMENTATION OF POLICY REQUIREMENTS

Community Development Financial Institutions Fund

Through the CDFI Program, the CDFI Fund provides support to, as well as funding for financial investments in, financial institutions around the country that are specifically dedicated to financing and supporting community development activities. This strategy builds strong financial institutions that make loans and investments and provide financial services to markets (including economically distressed investment areas and disadvantaged targeted populations) whose needs for loans, investments, and financial services have not been fully met by traditional financial institutions.

The CDFI Fund has designed and implemented a grants management system that monitors and ensures awardee compliance with applicable laws, regulations and guidance. The CDFI Fund award process requires that an awardee be compliant with these requirements through the term of the related assistance agreement. Once an award has been made, periodic awardee financial and performance reporting is used to assess the level of compliance with the related measures included as part of the awardee assistance agreement and with applicable laws and requirements.

Internal Revenue Service

The Internal Revenue Service administers two grant programs: the Tax Counseling for the Elderly (TCE) Grant Program and the Low Income Taxpayer Clinic (LITC) Grant Program. Applications for TCE and LITC grant awards are solicited each year from qualified organizations in full compliance with OMB Circular A-110, A-21, A-122, and A-133. Grant awardees are monitored during the duration of the grant to ensure compliance with Federal Government grant policy requirements.

SUPPLEMENTAL INFORMATION

TOTAL TREASURY DEPARTMENT BUDGET

Treasury's FY 2005 budget request covers the following areas:

- **INTEREST PAYMENTS -- \$356.1 billion**

These are funds for interest payments needed to finance the public debt (\$350 billion); interest payments by the IRS on refunds of taxes to taxpayers (\$2.4 billion); selected interest payments on special accounts handled through the Treasury (\$3.9 billion); and other public debt interest (\$0.01 billion).

- **PERMANENT AUTHORITY APPROPRIATIONS AND TRUST FUNDS -- \$49.4 billion**

These are funds for special accounts for which the Congress has given the Department of Treasury permanent authority to expend as appropriations. These accounts include primarily repayments of taxes collected for Puerto Rico, payments made when the earned income credit exceeds the taxpayer's tax liability, payments to the Resolution Funding Corporation, reimbursements to Federal Reserve Banks, special claims and damage payments required as a result of judgments against the U.S. government, and payments to Presidential candidates and their parties in accordance with Federal Election Commission certification.

- **OFFSETTING COLLECTIONS -- -\$20.6 billion**

Treasury receipts from other government agencies and private sources are subtracted from the total Treasury budget as an offset.

- **ANNUAL OPERATING APPROPRIATIONS [FUNDING FOR ALL TREASURY BUREAUS] – \$11.7 billion**

These are funds for the Treasury bureaus' activities. Funding for these require appropriation action by the Congress. Details of bureau operating budgets are provided in the section titled, "Analysis of FY 2005 President's Budget."

DEPARTMENT OF THE TREASURY
FUNDING LEVELS IN THE FY 2005 PRESIDENT'S BUDGET
(dollars in millions)

	FY 2003 Enacted	FY 2004 Estimate	FY 2005 Estimate	Percent Increase/ Decrease
ANNUAL APPROPRIATIONS.....	10,947	11,179	11,680	4.5%
INTEREST PAYMENTS:				
Interest on Public Debt.....	318,149	319,157	349,805	9.6% ^{1/}
Refunding Internal Revenue Collections, Interest.....	3,316	3,097	2,390	-22.8%
Interest on Uninvested Funds.....	8	5	5	0.0%
Interest Paid To Credit Financing Accounts.....	3,689	3,809	3,896	2.3%
Restitution of Foregone Interest.....	463	0	0	0.0%
Fed. Interest Liabilities to States.....	15	6	6	0.0%
Subtotal, INTEREST PAYMENTS.....	325,640	326,074	356,102	9.2%
TRUST FUNDS AND OTHER FUNDS:				
Federal Financing Bank.....	1,435	-645	0	-100.0%
Payment to Resolution Funding Corp.....	1,717	1,707	1,707	0.0%
Check Forgery Insurance Fund.....	2	3	3	0.0%
Payment to Terrestrial Wildlife Habitat Restoration Trust Fund.....	5	5	5	0.0%
Air Transportation Stabilization Program Account.....	294	25	0	-100.0%
Subtotal, TRUST FUNDS AND OTHER.....	3,453	1,095	1,715	56.6%
PERMANENT AUTHORITY APPROPRIATIONS:				
Pres. Election Campaign Fund.....	55	55	55	0.0%
Terrorist Insurance Program.....	9	4	11	175.0%
Sallie Mae Assessments.....	0	1	1	0.0%
Continued Dumping and Subsidy Offset.....	312	293	0	-100.0% ^{1/}
Treasury Forfeiture Fund.....	253	251	0	-100.0% ^{1/}
Debt Collection Special Fund.....	42	32	32	0.0%
Claims, Judgments & Relief Acts.....	1,010	935	990	5.9%
Confiscated and Vested Iraqi Property and Assets.....	256	0	0	0.0%
Federal Reserve Bank Reimbursement by --				
FMS.....	175	153	200	30.7%
BPD.....	133	129	132	2.3%
Financial Agent Services.....	0	258	411	59.3%
Temporary State Fiscal Assistance Fund.....	5,000	5,000	0	-100.0%
Collection of Taxes for Puerto Rico.....	357	372	382	2.7%
IRS New and Existing Fees.....	67	70	70	0.0% ^{2/}
IRS Informant Payments.....	4	4	4	0.0%
Payment where Child Credit exceeds liab. for tax.....	6,435	7,447	11,486	54.2%
Payment where EIC exceeds liability for tax.....	31,961	33,551	33,708	0.5% ^{1/}
Payment where Health Care Credit exceeds liab. for tax.....	3	65	171	163.1% ^{1/}
Subtotal, PERMANENT AUTH. APPROP.....	46,072	48,620	47,653	-2.0%
OFFSETTING COLLECTIONS.....	-18,252	-17,382	-20,618	18.6% ^{1/}
TOTAL, DEPARTMENT OF THE TREASURY.....	367,860	369,586	396,532	7.3%

^{1/} Includes legislative proposals for FY 2005.

^{2/} IRS User Fees were adjusted to reflect mandatory amounts in the P&F, even though Schedule N collections is different.

DETAIL OF OTHER ACCOUNTS

INTEREST PAYMENTS

- **INTEREST ON THE PUBLIC DEBT**

The Federal Government's current deficit and outstanding debt requirements are financed through borrowing (e.g., auctions of Treasury Bills, Notes, and Bonds). Funds paid to lenders for the use of their money is paid from the Interest on the Public Debt appropriation. This appropriation is permanent, indefinite, meaning that an annual appropriation request is not required to obtain this budget authority.

Interest on the Public Debt includes all interest paid on Treasury securities sold to the public (e.g., foreign and domestic financial institutions, individuals, insurance companies, state and local governments, etc.) and to Federal Government trust funds, revolving funds and deposit funds.

The Federal Government pays and receives interest, and in some cases pays itself. A better display of the Federal Government's interest cost is shown in net interest outlay estimates, comprised of:

- ✓ Interest on the public debt, plus interest on tax collection refunds; and
- ✓ Interest collections from federal agencies and the public (interest on loans to the Federal Financing Bank is the largest item of offsetting interest collections), and interest received by federal trust funds for securities held by these funds.

- **INTEREST ON IRS REFUNDS**

Under certain conditions set forth in the tax law, the IRS must pay interest on Internal Revenue collections that must be refunded -- amended returns, delayed refunds of more than 45 days from the due date of the return, corporation losses covering prior year returns, results of tax audits, etc. The rate of interest changes every three months to reflect the prime interest rate then in effect.

- **INTEREST ON UNINVESTED FUNDS**

Under conditions of the law creating each trust account, interest accruing and payable from the general fund of the Treasury is appropriated for payment to the proper fund receipt accounts.

- **INTEREST PAID TO CREDIT FINANCING ACCOUNTS**

Loan guarantee financing accounts receive various payments and fees and make payment on defaults. When cash balances result from an excess of receipts over outlays, these balances are deposited with Treasury and earn interest. This account pays such interest to credit loan guarantee financing accounts from the general fund of the Treasury in accordance with Section 505(c) of the Federal Credit Reform Act of 1990.

- **RESTITUTION OF FOREGONE INTEREST**

In certain situations the Secretary of the Treasury pays interest to the Government Securities Investment Fund from the general fund of the Treasury when funds could not be invested as a result of a debt issuance suspension.

- **FEDERAL INTEREST LIABILITIES TO THE STATES**

As provided in U.S.C. 3335, U.S.C. 6503, and 31 C.F.R. 205, interest is paid to states when federal funds are not transferred timely. Further, states are reimbursed for specific costs.

TRUST FUNDS AND OTHER

- **FEDERAL FINANCING BANK**

The Federal Financing Bank (FFB) was created in 1973 to ensure the coordination of federal and federally assisted borrowing from the public in a manner least disruptive to private financial markets and institutions. FFB loans are now used primarily to finance direct agency activities such as resolution of failed thrift institutions by the deposit insurance agencies, construction of federal buildings by the General Services Administration, and meeting the financial requirements of the U.S. Postal Service.

- **PAYMENT TO RESOLUTION FUNDING CORPORATION**

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 authorized and appropriated to the Secretary of the Treasury, for fiscal year 1989 and thereafter, such sums as may be necessary to cover interest payments on obligations issued by the Resolution Funding Corporation (REFCORP). REFCORP was established under the Act to raise \$31.2 billion for the Resolution Trust Corporation (RTC) in order to resolve savings institution insolvencies.

- **CHECK FORGERY INSURANCE FUND**

This fund was established as a permanent, indefinite appropriation in order to maintain adequate funding of the Check Forgery Insurance Fund (Fund). The Fund facilitates timely payments for replacement Treasury checks necessitated due to a claim of forgery. The fund recoups disbursements through reclamations made against banks negotiating forged checks.

To reduce hardships sustained by payees of government checks that have been stolen and forged, settlement is made in advance of the receipt of funds from the endorsers of the checks through reclamation procedures by this office. If the U.S. Treasury is unable to recover funds, the account sustains the loss.

- **PAYMENT TO TERRESTRIAL WILDLIFE HABITAT RESTORATION TRUST FUND**

Under P.L. 106-53, the Secretary of the Treasury is required to invest funds deposited in the Cheyenne River Sioux Tribe Terrestrial Wildlife Restoration Trust Fund and the Lower Brule Sioux Tribe Terrestrial Wildlife Restoration Trust Fund, until the funds are fully capitalized.

- **AIR TRANSPORTATION STABILIZATION PROGRAM ACCOUNT**

The Air Transportation Safety and System Stabilization Act, P.L. 107-42 established the Air Transportation Stabilization Board which may issue up to \$10 billion in loan guarantees. Amounts include estimates for loan guarantees that have received either conditional or final approval.

PERMANENT AUTHORITY APPROPRIATIONS

- **PRESIDENTIAL ELECTION CAMPAIGN FUND**

The fund supports payments to the candidates running for President during the primaries and the general election, as well as support of nominating conventions. Appropriations to the fund represent receipts from the Presidential Election check-off on taxpayers' income tax returns. Upon certification by the Federal Election Commission, payments are made for the above purposes. Major expenditures occur during the year of the Presidential election -- appropriations represent collections from the check-off.

- **TERRORIST INSURANCE PROGRAM**

The Terrorism Risk Insurance Act of 2002 (P.L. 107-297) was signed into law on November 26, 2002. The law establishes in the Department of the Treasury, the Terrorism Insured Loss Shared Compensation Program, administered by the Secretary of the Treasury, who shall have general Program authorities and pay the Federal share of compensation for insured losses resulting from acts of terrorism. The Act authorizes appropriations for the program and its administration. By law, the Program terminates on December 31, 2005.

- **SALLIE MAE ASSESSMENTS**

The FY 1997 Omnibus Consolidated Appropriations Act authorizes the Secretary of the Treasury to establish and collect from the Sallie Mae Association an annual assessment of up to \$800,000 (adjusted for each fiscal year ending after September 30, 1997 by the CPI) to cover the expenses related to providing financial oversight of the Association.

- **CONTINUED DUMPING AND SUBSIDY OFFSET**

P.L. 106-387 provides for relief for certain domestic producers that may be impacted by injurious dumping and/or subsidization of imported products. Assessed duties are deposited into a special fund, and distributed to domestic producers, based on a determination that a domestic producer has been injured by these unfair trade practices.

- **TREASURY FORFEITURE FUND**

The Treasury, Postal Service, and General Government Appropriation Act, 1993 (P.L. 102-393) established this permanent appropriation to be used to pay for all seizures and forfeiture costs that occur pursuant to the Treasury Department's law enforcement activities.

- **DEBT COLLECTION SPECIAL FUND**

FMS provides debt collection operational services to client agencies which include collection of delinquent accounts; offset of federal payments against debts owed the government, collection of unclaimed financial assets, and disposition of foreclosed property.

- **CLAIMS, JUDGMENTS AND RELIEF ACTS**

Appropriations are made for payment of claims and interest for damages not chargeable to appropriations of individual agencies, and for payment of private and public relief acts. Public Law 95-26 authorized a permanent, indefinite appropriation to pay certain judgments from the general fund of the Treasury.

- **CONFISCATED AND VESTED IRAQI PROPERTY AND ASSETS**

Executive Order 13290 of March 20, 2003 authorized the use of seized Iraqi assets for the relief and reconstruction of Iraq.

- **REIMBURSEMENT TO FEDERAL RESERVE BANKS**

In FY 1992, Public Law 101-509 established a permanent, indefinite appropriation to reimburse Federal Reserve Banks for their services as fiscal agents for the Bureau of the Public Debt beginning in FY 1994.

In addition, an appropriation was established for the Financial Management Service to reimburse Federal Reserve Banks in their capacity as depositaries and fiscal agents for the United States for all services required or directed by the Secretary of the Treasury to be performed by such banks on behalf of the Treasury or other Federal agencies.

- **FINANCIAL AGENT SERVICES**

A permanent, indefinite appropriation is included in the FY 2004 Omnibus Appropriation Conference Report that allows the Financial Management Service to reimburse financial institutions for services provided in their capacity as depositaries and fiscal agents for the United States. The services provided are authorized under numerous statutes, including, but not limited to, 12 U.S.C. 90 and 265. The services include the acceptance and processing of deposits of public money, as well as services essential to the disbursement of and accounting for public monies.

- **TEMPORARY STATE FISCAL ASSISTANCE FUND**

This account was established under Public Law 108-27 (Title VI, Sec. 601(a)). Upon submission of a certification to the Financial Management Service (FMS), FMS will make payments to the States, the District of Columbia, and U.S. territories (Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa). The certification must state how the funds will be used and the purposes should be in accordance with the P.L. requirements. Payments are based on population.

- **DUTIES, TAXES AND FEES (PUERTO RICO)**

Treasury's Tax and Trade Bureau collects duties and excise taxes for Puerto Rico. These funds are deposited in a Treasury receipt account. After the bureau deducts its cost of collecting these funds, the balance is refunded back to Puerto Rico through this account, which is shown as a Treasury outlay. In total, the activity (receipts/outlays) generally balances to zero, although the repayment is required to be included in total Treasury expenditures.

- **INTERNAL REVENUE SERVICE - NEW AND EXISTING FEES**

The Secretary of the Treasury may establish new fees or raise existing fees for services provided by the IRS to increase receipts, where such fees are authorized by another law. The fees may be spent to supplement appropriations.

- **INTERNAL REVENUE SERVICE – INFORMANT PAYMENTS**

The Secretary of the Treasury may make payments to individuals resulting from information given that leads to the collection of Internal Revenue taxes. The Taxpayer Bill of Rights of 1996 (Public Law 104-168) provides for payments of such sums to individuals from the proceeds of amounts (other than interest) collected by reason of the information provided, and any amount collected shall be available for such payments.

- **PAYMENT WHERE CHILD CREDIT EXCEEDS LIABILITY FOR TAX**

The child credit (originally authorized under the Taxpayer Relief Act of 1997) calls for an additional payment to the tax filer. This account is used only in those instances when the credit will exceed the amount of the tax liability owed through the individual income tax system.

- **PAYMENT WHERE CREDIT EXCEEDS TAX LIABILITY (EARNED INCOME CREDIT)**

The earned income credit (originally authorized under the Tax Reduction Act of 1975) calls for absolute tax credits to low income taxpayers who meet certain qualifications. This account is used only when the tax credit exceeds the taxpayer's total liability for taxes is this account used, and only by the amount that the tax liability is exceeded.

- **PAYMENT WHERE HEALTH CARE CREDIT EXCEEDS LIABILITY FOR TAX**

The health care credit calls for a refundable tax credit for health insurance purchased by individuals and families who are not covered by employer-sponsored insurance nor eligible for public programs.

OFFSETTING COLLECTIONS

In general, amounts collected by the Federal Government are classified in two major categories:

- **Governmental receipts** – Revenues that arise from the sovereign and regulatory powers unique to the Federal Government. They consist primarily of tax receipts, but also include customs duties, court fines, certain licenses, etc. All governmental receipts are deposited into receipt accounts. These receipts are always reported in total (rather than as an offset to budget authority and outlays).
- **Offsetting receipts** - Collections that are offset against the budget authority and outlays of the collecting agency rather than reflected as governmental receipts in computing budget totals. Offsetting receipts are comprised of:
 - ❑ ***Proprietary Receipts*** - These receipts from the public are market-oriented and are derived from activities operated as business-type enterprises.
 - ❑ ***Intragovernmental Receipts*** - These are collections from other governmental accounts deposited in receipt accounts. These are further classified as follows:
 - ***Interfund Receipts*** - These are amounts derived from payments between federal and trust funds.
 - ***Intrafund Receipts*** - These are amounts derived from payments within the same fund group (i.e., within the federal fund group or within the trust fund group).

(dollars in billions)			
	FY 2003 Actual	FY 2004 Estimate	FY 2005 Estimate
Proprietary	12.5	14.0	14.4
Interfund	1.1	1.2	4.0
Intrafund	4.6	2.1	2.2
TOTAL	18.2	17.3	20.6